THE Freeman

IDEAS ON LIBERTY

MARCH 1961

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THE Freeman

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EDMUND A. OPITZ

Armaments AND OUR Prosperity

TWO FEARS fill us with dread. The first fear is that war will break out, killing millions of people, destroying billions worth of property, and wrecking what's left of the institutions of a once free society. The second fear is that peace will break out and bring our vaunted material prosperity crashing to earth. There is an untenable assumption in this fear of peace, but if it be accepted, the dilemma is a cruel one. The desire for material well-being is legitimate, but the dilemma spells out into something like the following three stages: Material well-being depends on an arms race; an arms race is likely to eventuate in a hot war; a hot war is a device guaranteed to end prosperity and threaten very survival. Here is a series whose first term is a natural desire for well-being, but whose last term cancels out everything which precedes it. This hardly sounds like progress, but if – as many people believe – the vitality of the civilian economy is so dependent on military spending that a depression looms if this spending stops, this is the logic of events. Let us examine these two fears which have so many of us walking a razor's edge, held in balance by the terrors on either side.

We are in the Cold War, we are told, and the Cold War is not war in the old sense. War used to be a thing of bombs dropping, tanks maneuvering, and infantry slugging it out in the mud; but war is now an engagement in another dimension – the psychological. The aim of war, then and now, is the same – to impose our will on the

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enemy, or at least to resist the imposition of his will on our own – but the means have changed. Formerly, we damaged his property or the bodies of his soldiers until the will to resist was broken; but now we are done with such crudities, having discovered subtle ways of getting at the will directly to bend or break it. In the old days, a victor nation or coalition was one which possessed a preponderance of military might, as demonstrated in the field. On the eve of a war the question of which nation actually had such a preponderance might be a matter of debate, to be settled only by fighting it out. But the matter of preponderance is now hardly ever posed. "Preponderance" has been overcome by "sufficiency." If several nations each possess a sufficiency of military might – armament enough to clobber rival nations no matter who strikes the first blow – the possession of a preponderance confers only the most dubious of advantages. The apparatus of civilization reduced to rubble, the victor nation stands astride a bone yard. The desire for mere physical survival is a primordial instinct which, in civilized man, may sometimes conflict with certain values which take precedence over it. But in the aftermath of the next war the civilized values may well be the first casualties so that mere animal survival may become the highest good.

Many Are Mistaken

The fear that war may break out appears to be well grounded. What about the fear that peace may break out?

The fear that peace will have a disastrous effect on the civilian economy is not a delusion of the unlettered. This fear, on the contrary, afflicts and is fostered by the sophisticated who have unlearned the capacity for taking a common sense view of things. Turn, for example, to an article in a recent issue of the *Bulletin of the Atomic Scientists*, a journalistic outlet for writers who stress the social responsibilities of scientists. The article is entitled "The Economics of Disarmament," and opens with a question: "Can the U.S. peacetime economy maintain its high prosperity without heavy governmental spending in the arms economy?" To which, the author returns a gloomy answer. "So long as armament is not used," he says, "it serves its economic purpose in an ideal way. The income created in the development and production of arms represents a clear net gain to the total purchasing power available to sustain the consumer economy."

Good Keynesian doctrine so far, but now the catch: An arms race,

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the author points out, heads nations toward a disastrous military conflict which must be avoided. It is equally necessary to fend off the economic collapse which threatens if the arms race slows. What is needed, says the author, is an "economic equivalent of armament" – some prescription which promises to sustain present levels of civilian prosperity without theatening to bring on World War III. The author's remedy, increased government spending, has a familiar ring: "No stretching of the terms of this elementary discourse is needed to show that public works and public services provide the economic equivalent of armament."

Some industries are totally committed to military production while others are committed in part. The "prosperity" of these segments of society is irrevocably yoked to military spending. It is easy to imagine a factory for the making of an essential weapon, the Gismo, being erected in 1942 in the sleepy little village of Ruralarea. The plant now employs 5,000 people, three times the number of citizens who responded to the town's 1940 census. The plant payroll now sustains those who work there plus bankers, butchers, teachers, ministers, and one interior decorator. Peace breaks out, military spending stops, and it is not hard to imagine what happens to Ruralarea. Admittedly, in this and similar situations, there will be hardships and some painful but necessary readjustments. But Ruralarea is not the United States, and it is not permissible to generalize its problems as if they afflicted a whole nation. The argument we are considering is that the prosperity of the society as a whole depends on national spending for arms.

Production Comes First

This argument is a modern version of the fable of the emperor's new clothes. It contains a glaring fallacy which is easily grasped, but this fallacy in turn rests upon a faulty premise of a more subtle nature. The fallacy first: Prosperity is equivalent to an abundance of the things people consume and enjoy – houses, clothing, food, automobiles, recreation, gadgets, and so on. These items come into existence as the result of economic production. A few individuals here and there may live well on stolen goods, but society is provisioned in only one way – by human effort, augmented by tools, applied to raw materials. Thus, and in no other way, are produced the goods and services we now have in abundance and which constitute our prosperity. Our prosperity would cease if we stopped producing, and

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we can't produce without working. Some 61 million people are presently at work to produce the things which make up our prosperity.

Alongside this abundance of consumer goods which constitute the civilian economy are jet fighters, aircraft carriers, tanks, rockets, and the like. There is no civilian market for these items; Uncle Sam and his satellites are the only customers. Even though you and I are not in the market for military hardware, some six million of our people are engaged in producing it according to the same old economic equation – by the application of human effort and tools to raw materials. While thus engaged they cannot produce goods for their own consumption. They must be supported, in this respect, by the rest of society. Furthermore, there are large quantities of machines, tools, and other capital tied up in defense projects which otherwise might be employed to make things for consumers.

Putting these two segments together, it is obvious that the total active labor force in the country is roughly 67 million people. Is it not self-evident, in the first place, that 67 million workers – other things being equal – will produce more than 61 million? Therefore, the present level of prosperity is lower than it might otherwise be by the amount of civilian goods which the 6 million would produce if they weren't engaged in producing arms. If the withdrawal of six million is the cause of the high level of civilian prosperity, why not withdraw 60 million and have a real boom? Thus, we would defeat our old enemy Work, that built-in curse of every economic system of the past.[1]

The 6 million now engaged in armament production are not simply off to one side, a neutral factor. They are consumers of civilian goods without producing any themselves or even producing things which might be exchanged for them. Millions of producers of food, clothing, housing, and other services work to provide these necessities for the 6 million engaged in armament production. Far from the arms race sustaining the civilian economy, the reverse is true; it is the incredible productivity of the civilian econ-

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[1] This is not to deny the need for military hardware nor to minimize the importance of our defense establishment. Perhaps we should divert twice as much manpower and capital for these purposes, but that is another argument. The only point at issue here is the fact that manpower and capital devoted to military purposes are not available for civilian production and diminish the latter by that much. Every dollar spent for guns is a dollar less that might be spent for bread, housing, travel, and the like.

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omy which makes it possible to spend our substance so prodigally in military hardware! Not so many centuries ago, in subsistence days, nations called off their wars so the folks could get in the harvest. Our present mastery of economic problems is so nearly complete that the productive sector of our economy can maintain a high level of civilian prosperity even though it is forced to support a swollen governmental structure along with its bureaucracies and its military establishments. Prosperity supports the arms race, not vice versa!

Despite Keynes, the "Law of Markets" Stands

When things are put in straightforward economic terms without introducing the complicating factor of money, the glaring fallacy of the thesis that Americans are prosperous because their government is spending so much on armaments is obvious. It is equally obvious that such an inversion of the facts would hardly find general acceptance if men based their conclusions on primary observations of the facts. At this level fallacies are relatively easy to detect. The detection of fallacies is more difficult if the discussion is conducted at the secondary level of inferences. An inference may be incorrect, and that's that. But an inference may be correct and still conceal a fallacy if the inference is drawn from an unsound premise. The unsound premise in the present instance is based upon the supposition that the late Lord Keynes had refuted Say's Law – a supposition shared by the master himself. Keynesians acknowledge this as a critical question and admit that if the validity of Say's Law be conceded much of Keynes' theory becomes untenable. So let's argue this fallacy out in terms of Say's Law – although a matter so complex can hardly be thrashed out in any space short of a book or a series of books.

Crudely put, Say's Law of Markets – named after the French economist who advanced it in 1803 – holds that aggregate supply creates aggregate demand, that purchasing power grows out of production. Benjamin M. Anderson in his *Economics and the Public Welfare* opens his chapter 60, "Digression on Keynes," with this description of what he calls "the equilibrium doctrine":

"The twentieth century world consumes vastly more than the eighteenth century world because it produces vastly more. Supply of wheat gives rise to demand for automobiles, silks, shoes, cotton goods, and other things that the wheat producer wants. Supply of shoes gives rise to demand for

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wheat, for silks, for automobiles, and for other things that the shoe producer wants. Supply and demand in the aggregate are thus not merely equal, but they are identical, since every commodity may be looked upon either as supply of its own kind or as demand for other things. But this doctrine is subject to the great qualification that the proportions must be right; that there must be equilibrium."

Keynes' alleged success in disposing of Say's Law consisted in ignoring the qualification; he "refuted" a proposition which had never been seriously advanced. "Say's Law of Markets," writes Henry Hazlitt, "is based on the assumption that a proper equilibrium exists among different kinds of production, and among prices of different products and services. And it of course assumes proper relationships between prices and costs, between prices and wage-rates. It assumes the existence of competition and free and fluid markets by which these proportions, price relations, and other equilibria will be brought about."

Say's Law is not regarded as a central doctrine of classical economics, but by disposing of a fallacy it paved the way for the establishment of what Adam Smith called "the liberal plan of equality, liberty, and justice." This is the system of liberty, one of whose facets is the free market. Economics, ostensibly the study of market operations, is really concerned with the stewardship of the earth's scarce goods, such as human energy, time, material resources, and natural forces. These scarce goods are our natural birthright. Use them wisely, as natural piety dictates – that is, providently and economically – and human well-being is the result. Turn a blind eye to them and one consequence is the promulgation of such nonsense as that the arms race which makes us billions of dollars poorer is actually the cause of our prosperity! Men act upon their beliefs, even when beliefs are fallacious, and acting upon this one we careen ominously toward the Total State and war.

A tiny leak in the dike, if not plugged, can open up and let the flood through. What begins as a simple economic fallacy can end with a bang or a whimper. ◆

The fallacies of John Maynard Keynes have been fully orchestrated and demolished in a recent book by Henry Hazlitt, *The Failure of the "New Economics"* (D. Van Nostrand, 458 pp., $7.50). More recently he has compiled an anthology containing Say's original statement together with critical essays on Keynesian economics, *The Critics of Keynesian Economics* (D. Van Nostrand, 427 pp., $7.00).

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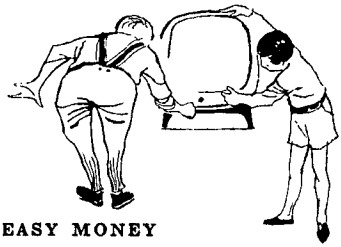
INTEREST RATE CONTROL



or — THE COST OF EASY MONEY

It was a day in early spring
At story-telling time.
Old Kaspar chewed a dead cigar
And sipped his rum-and-lime,
While Peterkin and Wilhelmine
Looked at the television screen.

They saw a giant printing press
Behind a guarded door
And heaps of crispy dollar bills
Upon the marble floor,
Where men were piling them in stacks
Or stuffing them in plastic sacks.

"Is that a counterfeiting gang?"
The little children cried.
"It's called the Interest Rate Control,"
Old Kaspar soon replied.
"That printing press, the Planners say,
Will drive the interest rates away."

"What sort of harm," asked Wilhelmine,
"Can rates of interest do?"
"It's said they strangle business growth,
And strain the budget, too.
They always grow and multiply
Where cash is kept in tight supply."

"There was a time," Old Kaspar said,
"When loans on easy terms
Were all reserved for prudent folks
Or wisely managed firms.
But now a loan is guaranteed
To anyone who shows a need."

"It seems a very helpful change,"
Breathed little Wilhelmine.
"One bad effect," Old Kaspar sighed,
"Was wholly unforeseen.
Inflated prices cost us more
Than interest burdens did before."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

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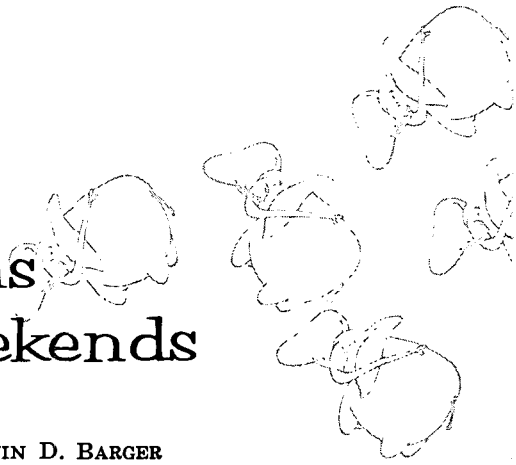

The Lessons of Lost Weekends

MELVIN D. BARGER

IT'S FAIRLY AXIOMATIC nowadays that alcoholics cannot get well unless they fully accept the fact that recovery hinges on total abstinence. It is possible, of course, that future break-throughs in drug and therapy techniques may alter this flat rule. But at the present time few responsible people who know anything about it would dare dispute this point – for the alcoholic, one drink is always too many.

As a recovered alcoholic with almost eleven years' continuous sobriety, I've made a lot of headway since I gave up the vain hope that I might be able to "handle a little beer now and then." Though an occasional drink seems to be a delightful beverage to the next man, it's poison for me, and I don't take it. I want to stay away from it for the same reasons I don't want to step over cliffs, walk in front of automobiles, or grab high tension wires. These would be exciting experiences, momentarily, but survival seems much more preferable.

Recovery from this distressing problem doesn't make a person immune to future folly of various kinds, but it does give one a protective sort of wariness. Like a once-scalded cat who now fears anything resembling a teakettle, I search everything for hidden booby traps. And it's a long jump, but I've even been able to relate the lessons of my own "boom-and-bust" experiences to such matters as monetary inflation, deficit spending, foreign aid, and kindred ideas. I did not arbitrarily do this; the similarities just seemed to be immediately self-evident.

Here they are. By a stretch of the imagination, they might even be called "ideas on liberty."

Mr. Barger is Editor of *The Flying A*, company magazine of the Aeroquip Corporation at Jackson, Michigan.

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Monetary Inflation – It doesn't even take too much imagination to realize that here's the almost perfect parallel. Most alcoholics start out drinking with the idea of "taking only a few." Past disasters and the grim prospect of sickness and hang-over don't seem to be an effective deterrent. Now, today we could, if we cared to look, see the long-run result of monetary inflation; we could see that runaway inflation, which always results in ruin, gets its start when we accept the first seemingly harmless doses of it. So far, our national inflation has been on a fairly moderate scale and we're confident that we can control it. But we may be hooked already. Many of us have a vested interest in inflation; we denounce it publicly, but enjoy it privately. We fail completely to profit by the wretched experiences of other countries who have gone the full inflation route.

Deficit Spending – There are few alcoholics now alive who could not list the perils of deficit spending. Governments do it by issuing more money, savings bonds, or creating bank deposits with notes. The alcoholic doesn't have access to the printing presses at the federal mints, and he's usually not able to swing much influence with the Federal Reserve. So his deficit money is of a cruder nature – usually I.O.U.'s plastered in the various bars where he's still able to get credit. This "fiat money" causes no end of trouble. For a short-term gain, he takes on long-term liabilities. Often, these debts are never paid back.

Foreign Aid – Social workers who have experience in the field will certainly agree that "economic evangelism" is almost a total failure in rehabilitating alcoholics. It is easy to be misled on this point. Many alcoholics have monstrous financial problems, and this causes them no end of worry and grief. But money problems are not the cause of drinking, nor will money stop it. Real recovery begins when the alcoholic changes his thinking. After that, he will most likely earn his own way.

What does this have to do with foreign aid? Well, it may be that we're trying to solve, with money, problems which lie much deeper – problems which stem from basic attitudes and philosophies of living. We may even be doing much harm without realizing it. We have vastly overrated the power of money, and underestimated the power of individual responsibility. Certain ingredients must be present before economic growth can occur. Are we sure that we are not

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asking other countries to succeed in spite of themselves, and in spite of governments that stamp out every promising bud of economic growth?

Hidden Inflation – I learned about this from Japanese bootleggers in late 1945. One of my first happy discoveries in occupied Japan was the availability of "sake," the country's excellent rice wine. The Japanese drink it in an almost ritualistic manner, often heating it in small vaselike containers. Ignoring local custom, I guzzled it by the jugful. One thing did puzzle me: on some days, I could demolish with ease the contents of three jugs. On other days, even one jug placed me high on a cloud over Mt. Fujiyama. Later I learned that an alcoholic tends to obtain an amazingly constant amount of actual alcohol per spree. Hence, the three-jug days didn't indicate a greater capacity for alcohol; they only meant that the bootleggers had been especially bold in "watering their stock." It was simply the working-out of natural economic laws, and in this case the seller chose to deceive the customer rather than to pass along his own costs through higher prices. Since then, I've seen "hidden inflation" at work in our own consumer products field; 5-cent candy bars have shrunk, lunchroom-size milk cartons are smaller, and much furniture has been cheapened where it doesn't show. We still get only what we pay for when the free market operates.

Wage and Price Controls – I once heard a fantastic tale about a very affluent alcoholic who hired bodyguards to keep him from taking a drink. This "save-me-from-myself" experiment soon failed, because the bodyguards could not keep the man from doing something he really wanted to do. Many forms of government control seem to be along the same order. The very people who advocate wage and price controls are likely to be the ones who also cheat on their own procedure. They are trying to enlist bodyguards to keep themselves and others from "sinning." This point gained, they then work with equal zeal to outwit the bodyguards!

Subsidies and Taxation – "Setting up one on the house" has long been established as congenial barroom etiquette in states where it is not against the law. It is possible that few beneficiaries of this occasional largess ever fully realize that they, the customers, actually pay for this generosity. They do not realize that the "house" could not hand out free

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drinks unless it had received revenues from themselves or previous customers. Toward the end of my mottled career with the bottle, I was beginning to recognize the "house" favors for what they really were: subsidized handouts. I don't resent the custom, but I am at war with the notion that people, collectively, can receive anything that they don't pay for in the first place.

The Threat of Economic Collapse – There seems to be a lot of nonsense in the air nowadays about our depression-proof economy, and its various "automatic stabilizers" such as unemployment insurance and wage scales. It sounds to me a lot like schemes for going on a binge without suffering the effects of a hang-over. Competent economic historians warn us that economic collapses inevitably follow inflationary booms (or binges). The resulting collapse is nothing but Nature's way of warning us that we were doing things the wrong way . . . just as a hang-over and other troubles warn the alcoholic that he's not living correctly. But a series of good headsplitting, belly-curdling, throat-scalding hang-overs were good, since they made him want to stop. Perhaps we have to suffer our economic hang-overs, too, until we decide to find out just what it is that's hurting us and do something about it.

It would, of course, be a costly lesson – but it would be cheap at thrice the price if it taught us how to establish our economy on foundations of rock instead of sand. The real danger would not be in the collapse; it would be in a blindly stubborn refusal to accept the truth about it, and to realize the nature of the errors that produced it.

Blame the Sellers – Lately I've read several books which indict the marketing approach of our economy, blaming almost everything from juvenile delinquency to mental breakdowns on the nation's advertisers and marketers. The arguments seem to imply that selfish, irresponsible interests are causing us to do things we don't want to do. We should harness these oily rogues before they've destroyed the last remnants of our social values.

This is nonsense. It's simply a variation of the old pattern I practiced often myself: blaming my hang-over on the bartenders. It is true, of course, that our country has a lot of delinquency and neurosis, but the fault doesn't lie with our marketing systems, anymore than it does in the stars. The fault is still in ourselves.

This completes my random list

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of observations. I like to think that they have a "horse sense" sound, and that they aren't too unreasonable. They are relatively "unbiased," because they developed during years when I paid little attention at all to any of the competing forms of economic and political thought. I was almost outraged to learn that my ideas stamp me as a "conservative" instead of a "liberal." But, I've learned to live with that stigma!

It is curious that when I cross verbal swords with "liberals," they frequently accuse me of not dealing with reality, of living in a dream world. This is odd, because their ideas were mostly mine when I was in a world that was mostly dreams, mostly unreality. ◆

LUDWIG VON MISES

Foreign Spokesmen for Freedom

THE GREAT CATASTROPHES that befell Germany in the first part of our century were the inevitable effect of its political and economic policies. They would not have happened at all or they would have been much less pernicious if there had been in the country any noticeable resistance to the fatal drift in the official policies. But the characteristic mark of Germany in the age of Bismarck as well as later in that of Ludendorff and Hitler was strict conformity. There was practically no criticism of the interventionist economic policies and still less of inflationism. The great British economist, Edwin Cannan, wrote that if anyone had the impertinence to ask him what he did in the Great War, he would answer, "I protested." Germany's plight consisted in the fact that it did not have, either before the armistice of 1918 or later, anybody to protest against the follies of its monetary and financial management. Before 1923 no German newspaper or magazine ever mentioned, in dealing with the rapidly progressing fall in the

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Mark's purchasing power, the boundless increase in the quantity of banknotes printed. It was viewed as un-German not to accept one of the "loyal" interpretations of this phenomenon that put all the blame upon the policies of the Allies and the Treaty of Versailles.

In this regard conditions in Germany certainly changed. There is in Germany today at least one monthly magazine that has both the courage and the insight to form an independent judgment on the economic and social policies of the government and the aims of the various parties and pressure groups. It is the *Monatsblätter für freiheitliche Wirtschaftspolitik,* edited now already for six years by Doctor Volkmar Muthesius. It is published by the Fritz Knapp Verlag in Frankfurt. Excellent articles written by the editor and a carefully selected group of external contributors analyze every aspect of contemporary economic and social conditions.

Doctor Muthesius and his friends are unswerving supporters of free trade both in domestic and in foreign affairs. They reject the lavish bounties doled out to agriculture at the expense of the urban population, the immense majority. They are keen critics of the cheap demagogy of the government's alleged antimonopoly campaign. They unmask the dangers inherent in the privileges granted to the labor unions. In matters of taxation, a balanced budget, sound money, and "social" policies they follow a line of thought similar to that of the American Goldwater-Republicans. They prefer the Adenauer regime to the only possible alternative, a cabinet of Social-Democrats, but they do not close their eyes to the shortcomings of the Chancellor's policies. And they are not afraid of repeating again and again that it is only thanks to the United States that West Berlin is still free from Soviet rule.

A periodical that openly and without any reservations endorses the free enterprise system and the market economy, this is certainly a remarkable achievement in the classical land of socialism whether imperial or social-democrat or nationalist.

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IN his *Education for Privacy* Marten ten Hoor, Dean of the College of Arts and Sciences, University of Alabama, decries dictatorships in these appropriate terms:

"We are living in a world and in a time when powerful leaders with millions of fanatical followers are committed to the forcible regimentation of their fellow men, according to formulas which have no initial authority but that of their own private dogmatism. They not only refuse to recognize the right of private thought and personal conscience to be considered in the management of public affairs, but they have abolished the concept of the individual as a private personality and have reduced him to the level of the bee in the hive. To restore the individual to his former dignity as a human being is the urgent need of the day."

Are majorities, when unlimited as to the areas of life they control, leading us down the same disastrous road as dictatorships? If so, what are the principles, the understanding of which would answer "the urgent need of the day"? These questions are the subject of this inquiry.

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CONSCIENCE of the MAJORITY

LEONARD E. READ

DECLARED A PROFESSOR of economics at one of our larger universities: "What government should do is whatever a majority of the people vote that it should."

This teacher of young America was speaking the conviction of a vast segment of today's voting public: *The sole criterion of what government should do is whatever the voting majority demands of it.* This belief that sovereignty exists exclusively in "the will of the majority" is the same as a belief in unlimited democratic government. Regardless of the popularity of this view, its shortcomings must be understood and explained unless we want the majority to be the ruler of our affairs, the manipulator of our lives, the shaper of our destinies. For, according to this notion, the majority *is* almighty; there is no moral authority above the majority; the scope of government is not limited by any principle, but only by the will of the majority.

The principle of limited government is elusive. Even some of the very men who wrote the principle into the Declaration of Independence in terms of the inalienable rights of individuals, promptly defied this principle by unlimiting majority rule, that is, by not applying the limiting principle to the democratic state. They reasoned that the rule of the majority (democracy) could not be intelligent without a well-educated electorate, so they proceeded to "secure" the required wisdom by a system of government education.[1] By doing this, they lowered the barriers they themselves had erected, permitting majority rule, in this precedent-setting instance, to get out-of-bounds, to possess powers over individuals never intended in their own distinctive design for limited government. Like their progeny down to this day,

1 "He [Thomas Jefferson] was the first American statesman to make education by the state a fundamental article of democratic faith." *Encyclopedia Britannica*, Vol. XII. Chicago: Encyclopedia Britannica, Inc., 1946.

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these sponsors of state education must have concluded that any goodness of which an individual is capable would show forth in the majority if all were educated in goodness.

These men failed to see that goodness is never evoked by coercion.[2] And they overlooked one striking fact: *Whatever goodness may be manifested in individual action tends to be lost in mass action.* The majority, regardless of the people who compose it, is an amoral mechanism; a majority conclusion is a concentration – an amalgam – of views which does not include the voice of individual conscience. This is a serious charge considering that we as a people are submitting ourselves to majority rule: a whole nation's destiny in the grip of a conscienceless force, an amoral mechanism that knows not right from wrong, incapable of learning, and powerless to think or reason – like putting ourselves under the rule of a robot! So, let us examine the charge that majority action displaces individual conscience.

First, what is conscience? "A knowledge or feeling of right and wrong, with a compulsion to do right; moral judgment that prohibits or opposes the violation of a previously recognized ethical principle."

Second, what or who is capable of having a conscience? Is it not self-evident that this is a quality or characteristic that only an individual human being can possess?

Third, what is a majority? It is the greater part of a number in excess of two.

Obeying One's Own Conscience

Let us now take a minimum grouping of three individuals – any three on earth – and reflect on their "knowledge or feeling of right and wrong," that is, let us take note of their several consciences. Our first discovery is that no two are absolutely identical; no two among all who live are alike; no two have *precisely* the same concept of goodness or rightness or truth!

This is not to suggest that truth itself is variable, but that fallible human beings will vary in their knowledge of and proximity to truth, even though each were to do his very best at all times. A person behaves conscientiously only insofar as he obeys his own conscience, wherever it leads. His only alternative would be to act unconscionably. Therefore, except in matters where no controversy exists – like two plus two equals

[2] The three distinguishing features of government education are coercive: compulsory attendance, curricula dictated by government, and the forcible collection of the wherewithal to pay the educational bill.

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four or the blending of blue and yellow makes green – the averaging of two varying consciences must, perforce, result in a conclusion which tends to disenfranchise conscience.

Example: The chairman appoints a committee to prepare a report on what the nation's tariff policy should be. It is a foregone conclusion that the conceptions of right policy are, to some degree, at variance. For instance:

A believes in private property, namely, that each individual has a moral right to the fruits of his own labor, and further believes that this right includes the right to control the exchanges thereof; that any forcible shifting of control to others is an infraction of the private property principle. He stands for free exchange and, thus, rejects the tariff idea.

B believes, just as sincerely, that domestic producers must be protected against all foreign competitors who pay lower wages than are paid at home.

C accurately reflecting what his conscience dictates as right, favors "reciprocal trade agreements."

The committee, however, has accepted the responsibility of submitting a report. Finally, after discovering that precise agreement is impossible, *B* and *C* effect a compromise: Tariffs should be hiked on all foreign products that are showing a competitive advantage over home products (or any one of countless other possible compromises). *B* and *C*, of course, vote "yea," *A* votes "nay." The majority carries the day. Their compromise becomes the committee's report.

Be it noted that the report – *like all majority reports where the issues are in controversy* – is not an accurate reflection of what is regarded as right by *A* or *B* or *C*. All connection with conscience, that is, with the individual's precise conception of rightness, has been severed. It is this severing that makes a conscienceless mechanism of the majority.

It should be borne in mind that the amorality of a majority is not overcome by increasing its number, whether it be upped to ten or to the number in a national plebiscite. Indeed, the more persons involved, the greater is the likelihood that the majority conclusions will be worsened – in all events made devoid of conscience.

Government's Role

When we consider the extent to which public policy in the U.S.A. today is decided by majority vote, and when we recognize the conscienceless ness of this mechanism, we need not be surprised at a decaying individual responsibility and at our descent into socialism. Rather, we should count ourselves

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blessed in having some remaining time to put this conscienceless force in its proper place. It does have a place.

Assuredly, it will take a lot of doing to unfasten the grip of this amoral force on ourselves. Perhaps the untangling should begin by reflecting on the basic question that democracy poses: *Who should rule?* The answer it gives is: *The majority.* There is an enormous enthusiasm for this answer, and not without reason. For, the alternative, increasingly in evidence, is the dreaded one-man say-so, dictatorship. Not only is that the way most people see it but, unfortunately, that is the only way most people see it. Their high preference for democracy over dictatorship has effectively blinded them to a far more important question than who shall rule: *Regardless of who rules, what shall be the extent of the rule?*

If the question as to the extent of governmental rule is not posed and properly answered, the conscienceless majority will continue its rampage unabated. Unrestrained, knowing no bounds, this amoral, political mechanism can and will be – indeed, is – as vicious, as tyrannical, and as destructive of the rights of man as any culprit having a monopoly of the police power has ever been.

Very well. If democracy poses and answers the question of who shall rule, what is it that poses and answers the question of what shall be the extent or the scope of the rule?

What Is the Nature of the Limiting Principle?

As we have observed, it is not democracy. The majority, when operating in its political magnitude – a force severed from conscience and reason – cannot possibly know its place. It will steal and kill with the same reckless abandon as a bank bandit and with the same ignorance of its crimes as a mob or a runaway truck.[3] Democracy or majority rule, as applied to political action, is powerless to limit itself. Popular elections in our times attest to this observation.

And, contrary to the claims of Ortega, liberalism does not contain the limiting principle. (Ortega used the term in its

[3] This is no exaggeration. A majority through the instrumentality of the State will take property without consent for golf courses, for paying farmers not to produce, for building baths for Egyptian camel riders, or for whatever. The participating individuals have no more sense of wrongdoing than does a member of a lynching party. If asked, "Who did it?" he will reply, "The lynching party." There is more truth than exaggeration in Aldous Huxley's comment, "Humanity is in inverse proportion to numbers; a mob is no more human than an avalanche."

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classical and finest sense.)[4] Liberalism, which insists on the rights of the individual and a severe limitation of the State, does not go beyond the rationality of man for the source of its strength.[5] While the genuine brand of liberalism does pose and satisfactorily answers the question in an arbitrary way, the answer is founded more on a splendid opinion than on a fundamental principle.

Nor does the term "Americanism" indicate the principle that prescribes governmental limitation. Americanism has almost as many meanings as there are people who use the term. It means everything from constitutional government to vacations with pay to a democratic attitude of people toward each other to TVA to private enterprise to a melting pot. Americanism neither theoretically nor practically explains what shall be the extent or scope of government.

What we are searching for may be said to have no name at all. A certain something – an idea or a concept – momentarily, almost fleetingly, insinuated itself into the consciousness of a few persons who happened to be Americans – and a miracle was wrought! People became so fascinated with the miracle's material outpouring that they failed to reflect on the mysterious concept which conferred these blessings. The concept flitted in and out of consciousness so rapidly – like a dream or an idea that is promptly forgotten – that no one ever gave it a name.

A Happy Sequence

More often than not the good things which happen to us are over and beyond our own creation. Minor inadvertencies or happenstances, of little significance when viewed separately, sometimes combine or occur in certain sequences with the most unexpected, astounding, and efficacious results. If we are observant enough to take note or discover what minor events combined to form the grand result, perhaps we can, by their repetition, continue to enjoy the blessings they confer. Stated another way, mankind advances by developing laws or theories on the basis of observed fact and successful practice. A splendid example of theory devised after the fact was cited by Eugen von Böhm-Bawerk. Said this wise theoretician of free market economics: ". . . he [the common man] practiced the doctrine of marginal

[4] See pp. 125-26 of *Invertebrate Spain* by Jose Ortega y Gassett. New York: W. W. Norton & Co., Inc., 1937.

[5] For an example of this type of rationality at its best, see F. A. Hayek's reasoning on "the rule of law" in his *The Constitution of Liberty*. Chicago: The University of Chicago Press, 1960. 570 pp.

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utility before economic theory discovered it."

It is my contention that a sequence of seeming inadvertencies – an at-random combination – taking place between 1620 and 1791, if viewed in their wholeness, contains the answer we are seeking.[6] We shall find in the combination of these events the only principle for the proper limitation of government or, in other words, the answer to the question, *What shall be the extent of the rule?*

Communism at Plymouth Rock

Two facts, relevant to this thesis, stand out: (1) For a time, government in the U.S.A. was more limited than ever before in any other country, and (2) there followed an outburst of creative energy and an acceptance of personal responsibility unprecedented in all history. As in so many cases, most of us have attributed these phenomena to something peculiarly brilliant in our own makeup. But such credit has no more validity than did the observation of the fly on the chariot wheel, "Look at all the dust I am making." As I believe, and hope to demonstrate, the outburst of energy was the effect of the limitation. But, what was responsible for the limitation?

Part one of the unforeseen combination probably occurred during the first three decades of the seventeenth century. An excellent case in point followed the landing of our Pilgrim Fathers at Plymouth Rock. The members of this little Colony began their life together in a state of communism. For, regardless of what each Pilgrim produced, all the produce went into a common warehouse under authority, and the proceeds of the warehouse were doled out as the need seemed to require. In short, they tried to live by a principle which, more than two centuries later, Karl Marx set forth as the ideal of the Communist Party, "*from* each according to ability, *to* each according to need."

Return to Freedom

There was a compelling reason why the Pilgrims threw overboard this communal or communistic practice. Many of them were starving and dying! It seemed that when they organized themselves in this manner, the warehouse was always running out of provender. The needy became everyone.

During the third winter Governor Bradford met with the remaining members of his Colony.

[6] The idea I am trying to convey was well phrased by Adam Ferguson: "how nations stumble upon establishments which are indeed the result of human action but not the execution of human design." Quoted by Hayek in his *The Constitution of Liberty*, p. 57.

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They agreed to quit the idea of "from each according to ability, to each according to need" and would, come spring, try the idea of *to each according to merit.*

To each according to merit! It is inconceivable that these people were fully aware of what they were saying. In the Old World it had never been that way. Governments were sovereign. One kept whatever of his product the State allowed. It can be assumed that *to each according to merit* was conjured up in desperation. Perhaps it can be said that famine uncovered one of the principles leading to plenty.

The Private Property Principle

Using hindsight – which we can do and Governor Bradford could not – *to each according to merit* is an excellent definition of the private property principle. It is another way of saying that each individual has a right to the fruits of his own labor. "Each of you is to have what you yourselves produce" was the sense of the Governor's conclusion that third winter.

What happened came the spring? Read Governor Bradford's own words:

> The women now wente willingly into ye feild, and tooke their little-ons with them to set corne, which before would aledg weaknes, and inabilitie; whom to have compelled would have bene thought great tiranie and oppression.[7]

The result of practicing the private property principle:

> By this time harvest was come, and in stead of famine, now God gave them plentie, and ye face of things was changed, to ye rejoysing of ye harts of many, for which they blessed God. And ye effect of their particuler [private] planting was well seene, for all had, one way & other, pretty well to bring ye year aboute, and some of ye abler sorte and more industrious had to spare, and sell to others, so as any generall wante or famine hath not been amongest them since to this day.[8]

One cannot read this statement by Governor Bradford without detecting his sense of amazement that any such "plentie" had come about. These colonists attributed the outcome, if you please, to God, a confession that it was not of their own creation. This practice of the private property principle, I am submitting, was but the first in a sequence of happy actions which made for a combination

[7] Taken from *Bradford's History "of Plimoth Plantation"* from the original manuscript. Printed under the direction of the Secretary of the Commonwealth by order of the General Court. Boston: Wright & Potter Printing Company, State Printers, 1901. p. 162.

[8] *Ibid.*, p. 167.

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that contains the key to a principled limitation of the State.

Had Governor Bradford been able to glimpse the latter half of the next century he would have seen that his words, "so as any generall wante or famine hath not been amongest them since to this day," were, indeed, prophetic. For, after him and the other Plymouth colonists, and by reason of the practice of the private property principle which they had so fortunately hit upon, came decades of growth, development, progress. Here was something new, but something which could not be preserved under any of the Old-World forms of unlimited government. Early Americans were keenly conscious of this fact. It was this consciousness, a magnificent political skepticism, inspiring a dread of state interventionism – to use a present-day term–which accounted for their long delay in forming a government.

"Endowed by Their Creator"

Then came the second in the sequence of happy actions -- the American Revolution!

The real American Revolution was not the armed conflict with King George III. That was a relatively unimportant incident. It was, instead, a concept which, when understood, is seen to be a fundamental principle. To fully appreciate the fundamental nature of this revolutionary principle, it is necessary to keep in mind that in other lands and during previous times mankind had been contending with and slaying each other by the millions over the age-old question of which among the numerous forms of authoritarianism – that is, man-made authority – should preside as sovereign over man.

Then, in 1776, in a fraction of one sentence, was recorded the real essence of the American Revolution – concisely and solemnly stating for the first time in any significant political action[9] – the idea which rejected the *ancien regime*: ". . . they [men] are *endowed by their Creator* with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness. . . ."[10] There you have it! This is *The Principle*, the very essence of the American miracle.

Endowed by their Creator! Was this an at-random action, that is, an action which was not consciously related to the grand com-

[9] The Declaration of Independence, in a sense, was a climax to the Whig revolution that had been under way in England throughout the preceding generations – the theoretical break with absolutism.

[10] There seems little doubt that the authors and signers of the Declaration considered the protection of private property of utmost importance, equiva-

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bination? There appears little evidence to the contrary. For decades American thinkers had been examining and rejecting one form of authoritarian government after another. From what form, among them all, was man endowed with his right to life, liberty, and property? What previous form of government would preserve "to each according to merit"? Not a single one! From where, then, come these rights? There *are* such things as rights. Therefore, there must be a source. Ah, the Creator; that's it. Some of the eighteenth century clergy were saying this. That would dispense with the whole squabble over the forms of authoritarian governments.

This is no attempt to belittle the spiritual faith of our Founding Fathers. Some were devoutly spiritual; others, it has been suggested, were agnostic or deistic. No, this claim that "endowed by their Creator" was, in a sense, an inadvertency is based on the conviction that the writers of the Declaration were not wholly aware that they had written *the principle on which all sound political thinking must be premised!* They could not have been aware of the significance of their act because, by itself, without the third action which was to come later, "endowed by their Creator" was, from a practical and a political standpoint, little more than graceful phrasing.

A Spiritual, Political, and Economic Principle

Before going to the third action in our remarkable sequence, let us reflect further on this revolutionary concept, this break with all political history. *Men are endowed by their Creator with certain inalienable rights; that among them are the right to life, liberty . . .* is at once a spiritual, a political, and an economic principle. It is spiritual in that it proclaims the Creator as the endower of men's rights and, thus, as sovereign; political in the sense that such an acknowledgment implicitly denies the State as the endower of men's rights and, thus, the State – be it managed by a dictator or a majority – is not sovereign; and economic in this way: If a man has a right to his life, it follows that he has a right to sustain his life, the sustenance of life being nothing more nor less than the fruits of one's own labor. Note the relationship here to the private property principle – "to each according to merit."

The first in the sequence of revealing actions took place in

lent to their "pursuit of happiness." See Pittman, R. Carter, "Equality Versus Liberty: The Eternal Conflict." *American Bar Association Journal.* August 1960.

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1623,[11] the second in 1776. The third came to pass during the following fifteen years.

The Constitution and the Bill of Rights may not be generally thought of as an at-random action. Nearly everyone will claim that the framers of these documents were fully conscious of what they were doing. In a way, yes. But were they not thinking more about how best to implement "That government is best which governs least" than deductively reasoning from the premise, "Men are endowed by their Creator"? There is no evidence that they were aware that their work was the last in a series of three political moves which, separately, were more or less insignificant and unenduring but which, if pieced together, understood and believed in by their progeny, would present a picture making perfect political sense. Their progeny could use hindsight in assaying the significance of their actions; they could not.

To recapitulate: In the early 1600's, the principle of private property took its root in this land of ours, a political acknowledgment that each individual had a right to the fruits of his own labor. In 1776, the Declaration of Independence, a political document, identified the Creator as the source of this and other rights, thus denying the State or any other human authority as the source. Practically, the Creator as the endower of rights has no meaning unless men and their political agencies abdicate the role of Creator, that is, remove from themselves any pretense of serving as the endower of rights.

A Set of Prohibitions

That the Constitution and the Bill of Rights – the third in the sequence – were perfect complements to the right to the fruits of one's own labor and to the concept that the Creator is the endower of rights, there can be no doubt. These political instruments were essentially a set of prohibitions not against the citizenry but against the thing the citizens had learned from their Old-World experience to fear, namely, over-extended government.[12] They more severely limited government than

[11] It is not my contention that the Plymouth Colony experience was the sole source of the private property idea but, rather, to represent it as typical of what was going on in early seventeenth century America – at Jamestown and, no doubt, in many other circles. The Plymouth experience is used because its records are so well preserved.

[12] The words "no" and "not," employed in restraint of governmental power, occur 24 times in the 7 original articles of our Constitution. In the Bill of Rights the words "no" and "not" and the correlatives "or" and "nor" – all in restraint of government – appear 22 times.

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government had ever before been limited. They deposed government as the endower of rights. Furthermore, government was shorn of the responsibility for the people's security, welfare, and prosperity.

There were remarkable benefits which flowed from this severe limitation of government. First, when government is so limited that it has nothing on hand to dispense nor the power to take from some that it may give to others, to whom or to what do a people turn? They turn to themselves! As a result, there developed among early Americans a quality of character which Emerson later praised, "self-reliance." Americans earned a world-wide reputation for being a self-reliant people.

Second, when government is limited to the only principled function it possesses, that is, when it is limited to restraining and penalizing fraud, violence,[13] predation, misrepresentation, and to the invoking of a common justice, there follows as a consequence of that limitation a freeing, a releasing, of such creative energies as are in the people. When government duly inhibits the destructive actions of people, there is no force inhibiting the creative actions.

[13] Violence, as here used, is meant to include foreign as well as domestic threats to life and property.

A Burst of Creative Energy

It was this freeing of creative human energy on an unprecedented scale, *among a self-reliant people,* that accounted for the greatest outburst of productive and creative energy ever known. The American miracle came about as a consequence of three political actions taking place in a fortuitous sequence, a sequence that Americans did not contrive nor plan, nor even name.[14]

Suffice it to say, government today in the U.S.A. is again unlimited. The rights of man are now thought to derive from the State. Democracy reigns! The answer it gives to the question as to who shall rule is *the majority.* The extent of the rule, today, is whatever the conscienceless majority decides. That the road we are on must lead to disasters common to all Old-World political arrangements is evident enough. In principle, there is no distinction — none whatsoever — between our form of many men playing the Creator role and their form of one man playing the Creator role. Ask yourself, what precisely are the

[14] America's fortuitous combination, left nameless, accounts for the wide variety of incorrect and misleading titles used to identify the American ideal: Democracy, Republican Form of Government, System of Checks and Balances, Constitutional Government, and so on. Any one of these, at best, is but a part of something much more profound.

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essential differences between the divine right of the majority and the "divine right of kings"? If finding no differences, why, then, should we not suffer the fate of the Old-World arrangements?

The Simple Lesson

However, it is not necessary that we suffer the fate of Old-World societies. Our own history has a lesson to teach us if we will but open our minds to it. The lesson is simple: *The Creator, not the State, is the endower of men's rights.* As in other aspects of life, so in the political aspect of life, this is the primary principle around which all else must be built.

This concept, with a minimum of reflection, should be acceptable to most people. For, the alternative to this is the State, a man-concocted arrangement, as the endower of men's rights. Is it not clear that man does not obtain his right to life, for instance, from any particular Joe Doakes or from any two Joes or from any 182 million Joes? How, then, can any Joe-contrived agency, government or otherwise, gain an endowership which does not exist in the Joes who form the agency? Going one step further, if the State or the majority does not and cannot grant the right to life, does it not follow, logically, that they do not possess the moral right to deprive anyone of life and liberty and the means to sustain them?[15]

Once the Creator concept is settled on, the rights which are socially inalienable become quickly apparent. Society, regardless of how it organizes itself, cannot take life, liberty, or the means to sustain them. People are free to act creatively as they please. The moral questions, so far as they pertain to society, are settled in the acceptance of the Creator Principle. There are no moral principles remaining for the

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[15] This is a tricky point and, at first blush, would seem to deny government the right to impose penalties of any kind whatsoever. My own thoughts on the matter go like this: if a man has a right to life, liberty, and property, he has a right to defend his life, liberty, and property. Also, it is not improper that he delegate this right of defense to a formal agency — government. In short, man, or the government which man organizes, has a right to employ defensive or repellent force against aggressive force, that is, against any person or persons who would take life, liberty, and property. Those who employ aggressive force *initiate* the action. Any truly defensive force remains inactive until aggressive force appears. Thus, if aggressors are killed or otherwise penalized in the employment of defensive action against them, they are killed or penalized by an action which they initiated — by their own hands, as in suicide. Government has no moral right to take (aggress against) anyone's life, liberty, or property any more than has an individual. It has only the moral right to inhibit aggressive actions, as has an individual.

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amoral mechanism, the conscienceless majority, to vote on.

Left for democracy, for majority vote, will be questions where conscience does not come into play – for instance, who shall be elected to manage the agencies limited to the defensive functions? An amoral mechanism to decide amoral questions! Splendid! But do not let the amoral mechanism decide moral questions.

Faith and Freedom

Considering the extent to which interventionism has insinuated itself into our lives in a cancerous manner, it looks, on the face of it, as if our social situation were beyond repair. Certainly, there is not one of us who can detail the remedial pattern. It is utterly baffling.

Yet, what miracles may right thinking bring about? Could any of us, in 1860, have detailed the pattern for delivering the human voice around the earth in one twenty-seventh of a second? Indeed, not. But it came to pass. Not a man on earth knows how to make an ordinary wooden lead pencil, let alone an automobile or a jet airliner.[16] But we do have them!

If the remedy for our plight required any measure of mass understanding, a reversal in national form would be impossible. But impossibilities such as that have never been obstacles to progress. Required only is a leadership in reaffirmation of the Creator Principle – and faith that right ideas radiate and do, indeed, perform miracles.

[16] Should the reader question the point that no person knows how to make a pencil, send for a copy of my *I, Pencil.* Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (No charge)

A DEMOCRACY cannot exist as a permanent form of Government. It can only exist until the voters discover they can vote themselves largess out of the public treasury. From that moment on the majority always votes for the candidate promising the most benefits from the public treasury with the result that Democracy always collapses over a loose fiscal policy, always to be followed by a Dictatorship and then a Monarchy.

(Written by PROFESSOR ALEXANDER FRASER TYTLER, nearly two centuries ago while our thirteen original states were still colonies of Great Britain. At the time he was writing of the decline and fall of the Athenian Republic over two thousand years before.)

Reprints of Conscience of the Majority *are available at 10 cents each.*

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MAJORITY RULE

FRANK B. KEITH

ON A TABLE in the foyer of a small school stood a beautiful decoration for the annual open house. It consisted of an elaborate arrangement of wax fruit and dried flowers.

One day it was noted that the grapes in the display were disappearing rapidly. A quick check revealed they were providing free after-lunch chewing gum for the students.

The student leaders were assembled and given the project of raising among the 90 students the nine dollars necessary to replace the grapes.

The student body split on the question of who should pay for the grapes. One group thought those who took the grapes ought to confess and pay. The other group wanted everyone to pay, arguing that this would be a good lesson in honesty for everyone, especially those who had seen grapes taken but had done nothing about it. Further, they doubted that the dishonest would confess anyway. After all, if anyone were dishonest enough to take the grapes, he'd probably lie about it rather than confess. Besides, ten cents wouldn't really hurt anyone.

When this matter came to a vote in one class of 30 students, 16 thought all should pay and 14 thought the grape eaters only should have to pay.

Informal investigation later revealed that those who voted for everyone to pay were themselves grape eaters (or controlled by grape eaters) whereas all others voted that grape eaters only should pay.

Mr. Keith is a school teacher.

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WHAT EDUCATION SHOULD BUSINESS SUPPORT?

MERRYLE STANLEY RUKEYSER

THE CONGRESSMAN, who favored free enterprise, was berating business executives for their failure to flood the House of Representatives with mail and propaganda equal in size and weight to that from labor unions and sundry other critics of the modern corporation.

I could not accept the view that personalities in management, who are trustees for share owners, should throw their weight around. Executives, in the nature of things, are a numerically small group – at best a minority, but potentially an elite group.

As the brain or intelligence center of the economic system, management should rely for support on the merit of its basic ideas and philosophy – not on its comparatively slight brute force. The philosophy of management is a sophisticated approach to the adventure of living, and stands in sharp contrast to the techniques of primitive tribes who implement their will with clubs.

Accordingly, it would be a corruption of the management function to regard itself as the opposite number of misguided pressure groups. Its mission is not through brute force to offset a wrong push in one direction with an equally potent and ill-considered pull in the opposite direction. Management's opportunity is to promote civilization through inculcating in men's minds and hearts principles of creativity and self-discipline which enlarge their potentials for better living. Thus, expressions from management should at all times be responsible, and should be guided by a respect for the public interest.

Whether or not adversaries distorted Charles E. Wilson's remarks about the identity of the

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interests of the nation and those of General Motors, it is essential for industrial generalissimos to understand the impact of their private or company decisions on the public interest.

High in public interest are the problems of education and of corporate giving for that purpose. Corporate and individual responsibility cannot glibly be discharged through indiscriminate giving, to colleges and universities, of funds belonging to the stockholders. This delicate subject should be carefully delineated. A businessman must distinguish between standards for personal philanthropy, on the one hand, and of contribution of corporate funds, on the other. Unless the donation can be justified in terms of the enlightened self-interest of those who own the company, then it is better to leave the giving to the individual recipients of corporate dividends or interest rather than to tap the corporate till.

Obviously, if any corporation officer or director is so emotionally confused that he feels disposed to finance movements and ideologies which will destroy a free economy, he should use his personal funds – not those of his stockholders. If one of the objects of corporate giving is to gain good will or create a more friendly environment for business, it is clearly improper to endow ideologies designed to destroy voluntary institutions.

Conflicting Principles

The modern business or financial corporation, bank or trust company, investment dealer or insurance enterpriser is part and parcel of a voluntary system. By the same token, these instrumentalities are in mortal conflict with the theory that government can do everything better and more efficiently than can the citizen. Voluntary enterprise is the antithesis of compulsion and force. Contemporary advertising and selling are social symbols of the individual's right to choose, and are based on the gentle art of persuasion – the opposite of state-imposed compulsion.

Accordingly, it is worse than muddleheaded to use stockholders' funds to finance propaganda designed to destroy the foundations of a free economic society. Certainly, the blueprint of a dictated society, seductively and falsely labeled as a Welfare State, is inharmonious with the competitive market economy of which the modern corporation is an example. If a corporate executive is to play his optimum role as a leader of public opinion, he should understand the external environmental factors which create his opportunity. He is unfit to serve if he wears

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blinders which exclude from his consciousness the broad social, political, economic, and cultural forces which create the climate in which he operates.

Enlightened Self-Interest

To be blunt, the explanation for meager sales of motor cars in the United States in 1931, 1932, and 1933 was no reflection of any internal loss of management skill in the design or production of motor cars. The trouble was external and lay in subtle causes which unbalanced the national economy.

By participation not only as a provider of funds but as an active fellow student in scientific and mature efforts to formulate the ideas and techniques which make for fulfillment of the desires of free men and women, the executive furthers general well-being and serves his own higher self-interest as well. If a businessman takes everything out of the system and puts back nothing, he is as antisocial as the backward farmer who mines the soil.

The educated businessman learns, in the phrase of Wilhelm Röpke, that prudent money management and a free open market system provide "A Humane Economy." It is high time that mature business leaders learn to reject the spurious attempts by academic racketeers to associate inflation with human betterment and "welfare-state" regimentation with personal freedom.

Practitioners of the enterprise system should take pride in their respect for merit, for craftsmanship, and for creative and original thinking. They should join hands with the trend-bucking scholars who hold high the banner of individual free choice and personal responsibility. Certainly, they should not use stockholders' funds to subsidize those who adulterate the recipes of progress by glorifying concepts of slavery and compulsion.

Selective corporate giving to educational institutions can be of immense value, but those who handle "other people's money" – to borrow Mr. Justice Brandeis' historic phrase – should relate the gift to the enlightened self-interest of the corporate donor. Certainly, a corporation that depends on the services of engineers, chemists, or physicists, for example, can justify liberal endowment of their human supply depots – the engineering schools and the universities training scientists.

Similarly, the principle can properly be extended to liberal arts colleges, where the *quid pro quo* is less direct. In an expanding society, business needs to recruit executives from able personalities who have been trained as to

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the humanities and an affirmative philosophy of life. But such giving should be on an annual, or an income, basis rather than in the form of an unrestricted capital endowment. The promise of a recurrent gift gives the donor with high social conscience an opportunity to be selective. This procedure reserves the privilege of cutting off gifts to those educational institutions which fail to achieve scientific objectives and scholarly approaches to the dynamic problems of contemporary civilization.

Room for Honest Differences

This standard should not be corrupted to discourage honest dissent. The essence of a free society and the foundation for the American economic system is individual free choice – free choice as to goods and services, as to vocations, and as to ideas, spiritual beliefs, and attitudes. The very structure of competition is based on respect for individual differences. It would thus be a perverse and antisocial abuse of corporate trust for a chief executive to be guided in company giving solely by his own prejudices and dogmas. But at the same time it would not be justifiable in terms of the enlightened self-interest of the corporate giver to endow propagandists – Marxian or what not – whose intent is to destroy the voluntary system on which business survival depends.

Any financial or other help management can give toward dissemination of scientific and objective understanding of a free society is a good investment. Such expenditures of corporate income are a prudent transfer of funds to capital account for "franchise protection." Promotion of popular understanding is a cost-reducing outlay, just as much so as automatic machinery. Popular understanding of the social and economic forces at work prevents the economic waste growing out of friction, fallacious legislation, or emotional prejudice.

No one questions the right of management to expend corporate funds for burglary insurance or for various protective devices. But the threat to private property from direct stealing is picayune compared to confiscatory processes which result from biased thinking and ideas rooted in ignorance. It is nonsensically shortsighted to expect any bright long-term future in growth stocks if the private property system is to go by the boards.

Such astigmatism to the economic consequences of dissident social and political ideas is a deterrent to advancement in spiritual and material well-being. When

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a distinguished and suave Harvard graduate was debating with me in Town Hall in New York whether there should be a ceiling of $25,000 on personal income, I admonished the dowagers in the audience, who were living on dividends and interest, not to get any false sense of security from the utter politeness and courtesy of my differing colleague. "Though my opponent will liquidate you in a most courteous and courtly manner," I explained, "you will be liquidated, nevertheless."

"Not as I Do . . . ."

In my own salad days, nearly four decades ago, I asked the brilliant legal counsel and important stockholder of the Burns Brothers' Coal Company how he reconciled his being a millionaire with his adherence to the Socialist Party. The late Morris Hillquit, outstanding socialist leader and unsuccessful candidate for Mayor in New York City, showed mental resiliency in his reply.

"Individual investments and choice of securities, in my opinion," Mr. Hillquit explained, "present exactly the same question to Socialists and Radicals as they do to individualists and reactionaries. The Socialist is opposed to the economic system which permits of unearned revenues in the shape of rent, interest, and profits. He seeks to substitute that system by one based on the principle of cooperative labor and equitable distribution of the product. He expects that system to be brought about by a series of economic and legal reforms on a national, even an international scale and not through individual practices. The economic system operates equally on all persons, regardless of the political or social views held by them. A Socialist or Radical cannot by his own individual act withdraw himself from the operation of the system while it lasts. He can find place only in the established economic categories as employer, worker, professional, and so forth. If he earns or otherwise acquires money, he can put it only to such uses as the system affords to him. He would accomplish no good by throwing it away or keeping it in a strong box. If he has any money to invest, he must look for safe and profitable investment in the ordinary way.

"Purely as a matter of sentiment, a Socialist or Radical, would, in my opinion, ordinarily discriminate against securities of particularly odious concerns such, for instance, as are largely based on the exploitation of labor, pursuit of notorious antiunion policy, and so forth."

So be it.

Perhaps the late Mr. Hillquit

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unwittingly gave a practical yardstick for corporate giving. Certainly Mr. Hillquit's criterion of discriminating against the particularly "odious" would obviously estop muddled corporate management from subsidizing socialist or communist academies which would be set up to destroy such philanthropic supporters. So doing would be as misguided as if the American Medical Association should decide to endow a School for Charlatans.

There was sophistry, of course, in Mr. Hillquit's attempt to defend his theoretical and practical schizophrenia. Obviously, securities must be selected by yardsticks other than those he highlighted. First of all, the long term investor wants to know whether a given corporation has the capacity to survive in competition, whether it can operate profitably, and whether its shares are priced competitively on a price-to-earnings ratio. These bear more on investment values than does the degree of management affection for labor unions.

The effort to deal with social ideas in isolation from economic principles leads to absurdity. This was demonstrated when the global leader of the revolt against the razor, Fidel Castro, repelled tourists from Havana by his lawless procedures. After the event, the revolutionary leader naively called in consultants to counsel with him as to why Cuba's hitherto profitable tourist trade had dried up. Castro's innocence resembled the situation of the man who murdered his mother and his father and then went into court to plead for clemency on the ground that he was an orphan.

Misappropriation of Funds

Thus, it seems to me a misuse of stockholders' funds to give corporate gifts which can't be sanctioned directly or indirectly in terms of enlightened self-interest. Contributions to bona fide educational institutions which maintain scholarly and objective standards are a wise investment. They help to preserve the spiritual and intellectual foundations for a free society, the only kind of society in which custodians of voluntary companies in finance and business can hope to survive.

Scholars should, of course, have wide freedom in exploring ideas, information, and points of view. Control of funds should not include narrow-minded restrictions on academic freedom. But academic freedom is not threatened by a refusal to support those with closed minds who oppose the philosophy of free inquiry and free expression. To be specific, card-carrying members of the com-

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munist conspiracy should not be eligible for support, for they have an allegiance other than to their own conscience.

Businessmen can with confidence support pursuit of the ideals of liberty, particularly since their own function of supervision is linked with the conditions of a free society. Freedom includes the right of dissent, and even the right to be wrong. But freedom recognizes the human personality as something created in the image of God, each person with his own inalienable rights. Business is potentially progressive and liberal because it is itself an expression of the libertarian point of view.

In the competition against ancient ideas of slavery and regimentation "in modern dress," it is a duty of management to lead and energize those committed to enlarging the horizons of the individual. Such freedom is right up the alley of properly conceived business enterprises. And in the process of helping, the businessman himself will be educated to a better understanding of the social, economic, and political forces which make possible such success as he may enjoy.

IDEAS ON LIBERTY

The Law and Education

YOU SAY: "There are persons who lack education," and you turn to the law. But the law is not, in itself, a torch of learning which shines its light abroad. The law extends over a society where some persons have knowledge and others do not; where some citizens need to learn, and others can teach. In this matter of education, the law has only two alternatives: It can permit this transaction of teaching-and-learning to operate freely and without the use of force, or it can force human wills in this matter by taking from some of them enough to pay the teachers who are appointed by government to instruct others, without charge. But in this second case, the law commits legal plunder by violating liberty and property.

BASTIAT, *The Law* (1850)

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Liberals versus Statist "Liberals"

WILLIAM HENRY CHAMBERLIN

IT IS REMARKABLE how the meaning of a word can change by the simple process of crossing the Atlantic Ocean. Take the good old once respectable word liberal, for instance. Should an inquiring American walk into a session of Europe's Liberal International, he would be among people who believe in private initiative and free enterprise, who recognize the organic connection between freedom from state planning and meddling and all other kinds of freedom, personal, political, economic. The European liberal is by definition strongly, on principle, against socialism, and for the individualistic, not the socialistic approach to solving economic and social problems.

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How very different would be the atmosphere of a convention of the Americans for Democratic Action or any group that would call itself liberal in the United States. Here all the emphasis would be on having the state act as a rescue operator for everything from delinquent youths to worked-out mines, on government as the proper agency for relieving communities, families, individuals of their obligations, and taxpayers of an ever larger slice of their hard-earned incomes.

Here is a good sample of what passes for liberalism in the United States, as reflected in a news report of the program of an organization which calls itself the Liberal Party in the State of New York:

"The Liberals went far beyond the spending and social welfare proposals of the Democratic Ad-

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ministration of Governor Harriman. They outlined in 21,000 words a vast expansion of state spending and activity to meet 'the urgency of the times.'

"'We cannot afford economics as usual and politics as usual,' the Party said.

"The program urged the creation of agencies to aid small business, promote industrial usage of atomic power, and protect consumers. It called for improvements in existing social legislation and heavy spending on education and welfare."

Or take this definition of "liberalism," statist brand, offered by Mr. Joseph S. Clark, Jr., former Mayor of Philadelphia, now Senator from Pennsylvania, in *The Atlantic Monthly* for July, 1953:

"A liberal is here defined as one who believes in using the full force of government for the advancement of social, political, and economic justice at the municipal, state, national, and international levels. . . . A liberal believes that government is a proper tool to use in the development of a society which attempts to carry Christian principles of conduct into practical effect."

The genuinely liberal French nineteenth century economist, Frederic Bastiat, referred to the state as "the great fiction by which everyone hopes to live at the expense of everyone else." But in America the term liberal has been too often appropriated by those who share the delusion that the modern state possesses some mysterious power of giving to some groups without taking an equivalent amount from the same groups, or from others, either by higher taxation or by the still more reprehensible device of inflation.

Boarded by Pirates

The good ship *Liberalism* in the United States has been boarded by a pirate crew of state interventionists and near-socialists, whose ideals are the reverse of those of the historic pioneers of liberal thought, and who consider Karl Marx more relevant to modern conditions than Adam Smith. One of the first distinctively liberal thinkers was John Locke. His emphasis on "the natural right of life, liberty, and property," on religious toleration, on a government of limited powers deriving its legitimacy from the consent of the governed drove coffin nails into old conceptions of the divine right of kings to govern as they might see fit. His views exercised a powerful seminal influence both on Britain's "Glorious Revolution" of 1688 and on the American Revolution a century later.

Locke in his time represented

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the golden mean between theories of royal absolutism and the crackpot ideas on religion and property developed by the so-called Levelers and other wild-eyed groups that came up during the period of strife and confusion that followed the struggle between Charles I and the Parliament. Locke showed how liberty and order could be assured under a political and social system which restricted the state to the role of guardian and enforcer of man's natural rights. The late Harold J. Laski was a radical socialist, not a liberal. Yet, in one of his best books, *The Rise of Liberalism*, he gives a summary of Locke's ideas on the state which, while not meant as praise, is basically fair and accurate:

"For God, as he [Locke] tells us, has given the world to 'the use of the industrious and rational,' and the state, by their own consent, is there to protect their exploitation of it. He has the full sense of indolence as sin, the corresponding insistence on the obligation to labor and the recognition of the successful man's good fortune as an enrichment of the commonwealth. If property is the outcome of labor, clearly it is entitled to security, for it is 'the great and chief end, therefore, of men's uniting into commonwealths.'

"They are to be secure in what they have, and, therefore, they are to be free. By freedom Locke means that men shall not be bound without their own consent."

Personal Rights and Responsibilities

What Locke contributed to the political philosophy of liberalism was supplemented, on the economic side, by Adam Smith, who lived about a century later. His classical work, *The Wealth of Nations*, is a magnificent vindication of the general proposition that human beings get along best when there is the least governmental meddling and coddling. As Smith put it, "every man is by nature first and principally recommended to his own care."

Smith believed that state action should be mainly limited to protecting the individual citizen against injustice and violence. The main function of what he called "that insidious and crafty animal vulgarly called the statesman or politician" was to give his countrymen peace abroad and order at home. He preferred "the natural rules of justice, independent of all positive institutions" to state planning and interference with the natural course of the economy.

If John Locke and Adam Smith were alive today, they would be puzzled and distressed by the clamor for setting up "national

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goals." They would hold that a society, whose members are free to pursue their lawful interests under the normal dictates of the moral law, would fare pretty well, without the prescription of specific goals by the government or any other agency.

Edmund Burke is often claimed as the patron saint of conservative thinking. But, although much of Burke's emphasis is on respecting and preserving what is valuable in the national heritage, there is a utilitarian element in his thinking that fits in with classical liberalism, as expressed by Locke and Smith. What Burke wrote in "Thoughts and Details on Scarcity" against the conception of government as an omnicompetent provider was good classical liberal doctrine:

"To provide for us in our necessities is not in the power of government. It would be a vain presumption in statesmen to think they can do it....It is in the power of government to prevent much evil; it can do very little positive good in this, or perhaps in anything else."

Classical Liberalism

So liberalism evolved as a political and economic philosophy before the British Liberal Party and similar parties on the continent were organized. For generations Liberals and Conservatives alternated in power in England; the Liberal Party went to pieces as a result of a split between the Lloyd George and Asquith factions in World War I and has never been able to revive on a significant scale.

Standard principles of classical liberalism were the conviction that the best government governs least, a preference for individual enterprise over state action, coolness toward imperialist adventures, a belief in retrenchment in state expenditure, a zealous regard for the liberty of the individual against the encroachments of censorship and bureaucracy. John Stuart Mill's essay *On Liberty* expressed perhaps more eloquently than any other work the Victorian liberal's creed.

By some queer trick of perverted semantics the kind of people who in Europe would call themselves socialists or social democrats took it into their heads in America to establish a kind of squatters' right to the designation of "liberals." The contrast between the authentic liberals of the past – who may still be found, incidentally, in continental Europe – and the statist "liberals" of the present is strikingly complete on several important issues of politics and economics.

The classical liberal believed

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that the emphasis in economic life should be on individual enterprise, not on state action. The Grand Old Man of Victorian liberalism, William E. Gladstone, regarded the personal income tax as an obnoxious and unjust form of taxation, tried at one time to abolish it, and kept it at a level that now seems incredibly low. "Peace, Retrenchment, and Reform" was a familiar Liberal slogan.

Unlimited Government

But the modern American "liberal" is apt to be, on principle, a profligate spender of public funds for any and all purposes and sometimes merely for the supposed stimulating effect of spending. If he is free from the patented cynicism of a Harry Hopkins, with his formula for buying the votes of the people with their own money, he is often a crude Keynesian, convinced that the cure for all economic ills is for the government – the supposed horn of plenty – to write a larger check.

The classical liberal believed in the wisdom of *laissez faire,* of letting the temporary difficulties and frictions in an economy work themselves out. The modern "liberal" wants the government to rush to the rescue, at the first sign of maladjustment, like a fire department responding to a fire alarm.

Two recent examples may be cited as proof that the laissez-faire philosophy is not a product of heartlessness or mental laziness. Recurring drought in the thirties caused large numbers of farmers in Oklahoma and adjacent states to pull up stakes and migrate, mostly to California. In the beginning there were hardships, difficulties of adjustment. But now the so-called problem of the "Okies" has long ceased to exist. California is giving them a better living than did the parched acres of their native states in the thirties.

There was a similar situation, on a much bigger scale, in Germany after the end of World War II. Many millions of Germans and people of German origin were driven from their homes in the eastern provinces of Germany, in the Sudetenland area of Czechoslovakia, in some of the Balkan countries. At first, the social problem of finding a livelihood for this inpouring of forced migrants seemed staggering.

But the German government resisted the temptation to seek a solution by means of regimentation. It did not tell the refugees that they must go here or work in such and such an industry. It gave help, within the limits of its resources; but it did not dictate. And today, there is practically no refugee problem. These new Ger-

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man citizens have taken the places vacated by the millions of able-bodied Germans who perished in the war. So successful has been the German economic recovery, which began when controls were scrapped and normal private incentives restored, that the German economy not only has absorbed and given employment to the vast numbers of refugees, but also has employed hundreds of thousands of foreign workers, Italians, Spaniards, Greeks, and others.

The classical liberal favored flexibility, letting individuals and industries face up to and make their own adjustments. The modern "liberal" would rather perpetuate rigidities, encouraging people to stay where there is no economic need for them, underpinning cracks in the economy with an ever-enlarging layer of state subsidies.

Classical liberalism was a powerful instrument in freeing the individual from the tyranny of arbitrary government. Modern "liberalism" goes in heavily for laws and judicial rulings that override deep-rooted local sentiments and destroy the right of the individual to dispose of his property as he may see fit and to choose his children's environment and associates.

Historically, genuine liberalism was the climactic phase in the emancipation of the individual from the injustices of despotism and feudalism and the pressures of a static social order. But the objective of modern "liberalism" is to put the individual in a new strait jacket of state aid and state control, of state handouts and state confiscatory taxation.

What can Americans do who believe in the original liberal principles of individualism, self-reliance, and opportunity and see these principles flouted by statists masquerading under the name of "liberals"? Well, they can use quotation marks whenever they refer to false "liberals." And they can think hard for a term that will adequately describe their own position. For statism has established its squatters' right so firmly that no one who believes in the ideas of Locke and Adam Smith and Burke could call himself a liberal, in America, without inviting the gravest misconception of what he really stands for.

The last irony was reached when, in the time before the cold war had heated up, when the Soviet Union was still officially a gallant ally, it was not uncommon to see, in American left-wing publications, the expression: "Communists *and other liberals*."

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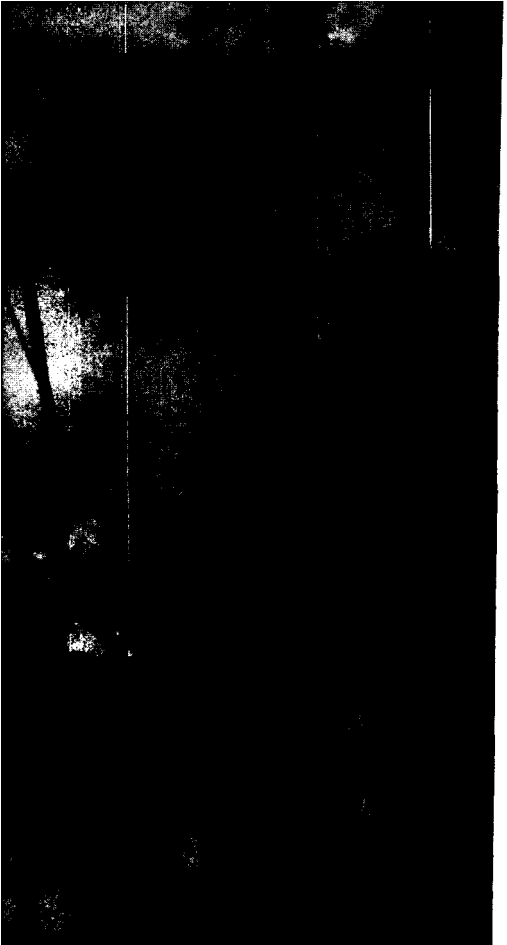

SELECTED FACTS IN THE

BRITISH NATIONALIZED COAL INDUSTRY

George Winder

PROPAGANDA is a very respectable word fallen on evil days. It came first into general use as the name for a committee of cardinals whose object was to spread the Gospel amongst the heathen. But it fell into deep disgrace when it became associated with the outpourings of Dr. Goebbels. Many people then realized that state propaganda could become one of the most dangerous instruments on earth. As a result, there arose a strong feeling against giving the government, in times of peace, any right whatever to communicate to the people anything but the most innocuous and easily confirmable facts.

But what of those semigovernmental concerns such as TVA in America and the nationalized industries in Great Britain; have they the right to speak for themselves? Whether they have or not, they most certainly do. Their public relations officers have the power to spend a great deal of money, and one result of this is the production of beautifully illustrated booklets little calculated to restore the word propaganda in our es-

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Illustration: A coal mine winding head in Britain's industrial midlands. Courtesy British Information Service.

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teem. In Great Britain the object of many of these quasi-governmental publications is not to impart information, but to perpetuate the nationalization of the industry which issues them.

There is a British Broadcasting Company program called "Any Questions?" in which a panel of exceptionally well-informed men, including some of the more intelligent members of Parliament from all sides of the House, discuss questions of public interest. On one occasion a question on the coal industry brought the reply that coal production had increased since the industry had been nationalized. The discussion, heard by some millions of people, was then continued on the basis of this assumption, not even the Conservative Member of Parliament on the panel correcting it.

A possible explanation why these very exceptional men on this "Any Questions?" program were so ill-informed is that they may have read some of the booklets issued by the British Coal Board. Misled themselves, they have in turn misled millions of listeners, thus illustrating the power of a few booklets.

This article, therefore, has two objects. One is to warn the American people of the dangers of propaganda from quasi-governmental organizations, and the other is to give, by way of illustration, some of the figures concerning the British coal industry that such propaganda has tended to conceal.

Official Report

Perhaps the most tendentious booklet issued by the British Coal Board appeared four years ago under the name, *Investing in Coal.* This begins by informing its readers that "when the National Coal Board took over Britain's mines on January 1, 1947, they became responsible for an industry which had been shrinking for more than a quarter of a century." It then describes the wonderful way the Coal Board has reconstructed and developed the industry under its "Plan for Coal," and "proves" its case by giving figures, some of which are those of actual production, while others are the speculations of the planners.

Here are some of these figures—

	Million tons of coal produced	*Tons of coal output per man*
1947	197	263
1955	221	298
1960 (Est.)	228	319
1965 (Est.)	240	342

To make sure these figures are driven home, a graph is provided which, by the device of continuing the upward movement of an illustrated mountain of coal until 1965,

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makes all the more impressive the apparent rise in production since nationalization.

Propaganda can often be literally true, but at the same time very misleading. In fact some people consider this the very highest form of propaganda, because it can be indulged in with impunity. These Coal Board figures are of this nature. They are literally true, but they constitute propaganda just the same, for they are so selective as to be utterly and completely misleading. The reason for this is the choice of 1947 as the year on which calculations are based.

At the time, the industry had been in complete control of the government since the outbreak of World War II. It had not recovered from its low wartime production which was due to many of the miners joining the forces, the inability to replace miners' equipment, and probably also to the very fact of government control. With 1947 as a base, there is hardly another industry in the country which has not expanded its production far more than has the coal industry. If, however, this booklet had based its survey on any average year under free enterprise before the war, the impression given would have been completely different. Such a comparison would have disclosed that the British coal industry, far from expanding under nationalization, has not yet caught up to its prewar production, and now looks as if it never will.

Against the 221 million tons the booklet displays for production in 1955, the industry, under private enterprise, can show a higher figure in nearly every year of this century. In 1913 production was 287 million tons. In 1923 and 1924 it was respectively 276 and 267 million tons. Even in the three years immediately before the last war – 1937 to 1939 – when the industry suffered many difficulties, production averaged 233 million tons.

Even Worse than Figures Show

But even these figures do not express the full extent of the Coal Board's failure. In comparing the output of private ownership and state ownership in the coal industry, we should allow for the fact that in its efforts to meet the great postwar demand the Coal Board has made use of open cast or strip mining. This has damaged large areas of agricultural land, and originally was only adopted as a wartime expedient. Coal obtained in this way is usually of very poor quality and the system was never used in Britain by private enterprise. To obtain a fair comparison, therefore, with the production of

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private enterprise the quantity quarried by the strip mining system should be deducted from the figures given for total postwar production. When this is done, the figure for coal production in 1955 is not 221 million tons, but 210.2 million tons. The greatest quantity of deep mined coal the Board has ever been able to produce in any one year was 213 million tons in 1954. Only in 1932 and 1933 in the depth of the depression, and in 1921 and 1926 when serious strikes hindered the industry, has production under private enterprise been that low during this century.

Mr. James Bowman, Chairman of the Board, in another beautifully printed brochure, issued in 1957, tells us that "for every six tons which it [the coal industry] produced ten years ago, it now turns out seven." He fails to mention, however, that for every six tons it produced in 1913 it now produces 4.3 tons.

The People Pay

The British coal mines are now the property of the people; the money spent on these beautifully printed booklets and brochures is, therefore, their money; surely they are entitled to all the facts, not just these selected facts which constitute nothing save propaganda for the Coal Board.

Here are a few items which the Coal Board carefully refrains from mentioning in its expensive publications.

When the socialist government first took over the mines, they were so sure that they could regain the production attained before the war under free enterprise that they actually entered into a solemn contract with the United States of America under the Marshall Aid arrangements to supply 33 million tons of coal to Europe in 1950. This contract was never fulfilled, only 13.5 million tons being exported in that year to all overseas markets.

Since the Board has taken over, Great Britain's coal export trade, which at one time was considered the very foundation of her greatness, has virtually disappeared. Before 1913, exports amounted to over 70 million tons a year. In 1929 it was 60 million tons. In 1931 in the depth of the great depression it was 42 million tons. In 1938 it was 35 million tons. But the most that the Coal Board has ever been able to export in any one year since nationalization has been 13,-972,000 tons, in 1953. This has since fallen to less than 5 million tons in 1958. Furthermore, Great Britain has even been reduced to importing coal from the United States. Newcastle has actually received coal from the United States which had to be unloaded into

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barges; the cranes on the wharves could not handle it as they were built only to load coal outward. Newcastle had never envisaged the day she would be required to import coal. Perhaps nothing else epitomizes the failure of Great Britain's nationalized coal industry quite so much as these "coals to Newcastle."

Under the Coal Board the number of strikes have quadrupled, and the rate of absenteeism has doubled.

The one figure that has improved in the Coal Board's statistics is the production per shift. The reason for this is that the government by 1955 had spent £696 million (almost $2 billion) in improving the pits and providing new machinery. In addition, a great quantity of machinery was given free of charge to the Coal Board under Marshall Aid. This machinery makes it almost impossible for a miner not to produce more coal per shift, but he fully makes up for this by working fewer shifts. As Sir Charles Reid, the most distinguished member of the original Coal Board, once said, "We are putting into the pits day by day great masses of machinery, but it does not seem to matter what we do, the output per man is not rising." He also said, "Without a more radical alteration in the Coal Board downwards, both in regard to control and personnel, the nationalization of the mines may well prove a disastrous failure. It cannot deal with the indiscipline so rampant in the mines; it cannot keep an effective check on production costs; it cannot give confidence and effective leadership to management or men."

There is no sign in the production figures that the radical alteration Sir Charles demanded has ever taken place.

One Intervention Leads to Another

Perhaps I should point out that the Coal Board claim that it took over a declining industry is not altogether wrong. But this was not the fault of free enterprise; it was due solely to the interference of the government with the industry. In 1930, the socialist government of Mr. Ramsay McDonald, with a view to securing the survival of the less efficient mines, and thus ensuring employment for the workers, passed the Coal Mining Act which fixed for each pit a production quota not to be exceeded.

The effect of this was to do away with the competition that is the very essence of free enterprise. What inducement is there for a mineowner to put in modern machinery when he cannot increase his production thereby? But in spite of this, the nationalized coal

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industry has never been able to overtake the production of the privately owned mines even in their admittedly most backward period; instead, production has sunk still further. No public relations officer, as far as I am aware, has ever pointed this out.

Under nationalization the price of coal rose to about six times its prewar figure, 16 shillings a ton at the pit head in 1939, against 96 shillings in 1958. Since then it has risen still further. While in 1939 a ton of coal cost 23 per cent of the average weekly industrial wage, it cost 39 per cent in 1956. In spite of this great increase in the price of coal, almost double the rate of other necessities, the Board has an accumulated deficit of £65 million ($182 million).

For more than ten years after the nationalization of the industry there was an instant demand for all the coal the Board could bring to the surface. In fact, coal had to be rationed long after all other commodities had been freed from this wartime expedient. Most miners believed that this excessive demand would continue forever, but almost unnoticed, possibly because of the excessive price of coal, a change was taking place in the British people's choice of fuel. The use of oil steadily increased in ships, factories, and in the home, and this reduced the demand for coal. For years supply had failed to meet demand, and now demand shrank to meet supply. This needed a great power of adaptation on the part of the Coal Board, but this is about the last thing one can expect from a board of officials. While the Board studied the situation, stocks of coal accumulated, littering the landscape and running the Board still further into debt.

Inevitable Unemployment

But, at last, the Board faced up to the position and the astonished miners discovered that some pits were actually being closed down, and that some of their friends were being dismissed as redundant. In Kent, the miners staged a stay-down-the-mine strike; but, as it was impossible to go on paying miners to produce coal nobody wanted, they were inevitably defeated. To many a miner it came as an astonishing revelation that the State could not guarantee him a job in his chosen occupation forever. His faith in nationalization received a resounding blow. At the present time, the coal production in Great Britain is still further on the decline.

Investing in Coal promised us 228 million tons of coal in 1960, with an output per man of 319 tons. In 1959 production was 206.1 million tons of both deep mined

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and strip mined coal, with an output per man of 294 tons. This figure for production was some 9 million tons below the previous year, so the Board's forecasts now look like figments of the imagination.

The British people's "Investment in Coal" amounted to £388 million in compensation for the previous owners, and by 1960 over £877 million had been spent on improvements – a total of over $3 billion. All they have received from this investment is a smaller supply of coal at a very much higher price than before. This investment must be one of the worst any people have ever made. But perhaps the most pernicious feature of the whole business is the way the Coal Board has served up its propaganda to conceal the defects of its own conception and organization. Fortunately, the Coal Board is also required by law to produce an Annual Report and Statement of Accounts. This humble booklet, known only to the initiated, does have the merit of stating facts; otherwise, this article could not have been written.

IDEAS ON LIBERTY

The Tyrant As Slave

HE WHO IS THE REAL TYRANT, whatever men may think, is the real slave, and is obliged to practice the greatest adulation and servility, and to be the flatterer of the vilest of mankind. He has desires which he is utterly unable to satisfy, and has more wants than any one, and is truly poor, if you know how to inspect the whole soul of him: all his life long he is beset with fear and is full of convulsions, and distractions, even as the State which he resembles: and surely the resemblance holds?

Moreover . . . he grows worse from having power: he becomes and is of necessity more jealous, more faithless, more unjust, more friendless, more impious, than he was at first; he is the purveyor and cherisher of every sort of vice, and the consequence is that he is supremely miserable, and that he makes everybody else as miserable as himself.

PLATO, *The Republic*

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ROBERT M. LLOYD

THE Changing IRON ORE INDUSTRY

HISTORICALLY, steel producing centers have always been located with reference to the accessibility of raw materials – iron ore, coal, and limestone. This was the case in Britain, in Alsace-Lorraine, in Birmingham, and Pittsburgh. In recent years, however, other considerations such as *market potentials* and even *national politics* have become of increasing importance in determining the location of new steel plants. This fact is evidenced by the number of small steel mills that are springing up in Latin America; the growth of the Japanese steel industry, sustained to a large extent on imported raw materials; and the geographical dispersion of steel mills within the United States and Europe to take advantage of local markets.

In the past, leading steel producing nations have generally also been leading iron ore producing nations. Actually, the importation of large tonnages of iron ore into major production centers is *relatively* new in the long history of steelmaking. Only in recent years have improved handling and transportation methods, rising ore prices and labor costs, and the consequent values of the iron producing potentials of higher quality ores in certain market situations made it possible for imported ore, in many instances, to compete with domestic ore in meeting part of the over-all steel demand.

Before World War II, few people would have believed that some day iron ore would move from Nevada to Japan, from India to Western Europe, and even from Chile to Lower Lakes ports, such as Detroit.

Most of the export ore flows to four large markets, the United States, Great Britain, the six nations of the European Coal and Steel Community, and Japan. How-

Mr. Lloyd is Administrative Vice-President, International and Raw Materials — Staff, United States Steel Corporation. This article is condensed from a paper presented at the Pittsburgh Regional Technical Meeting of the American Iron and Steel Institute, November 16, 1960.

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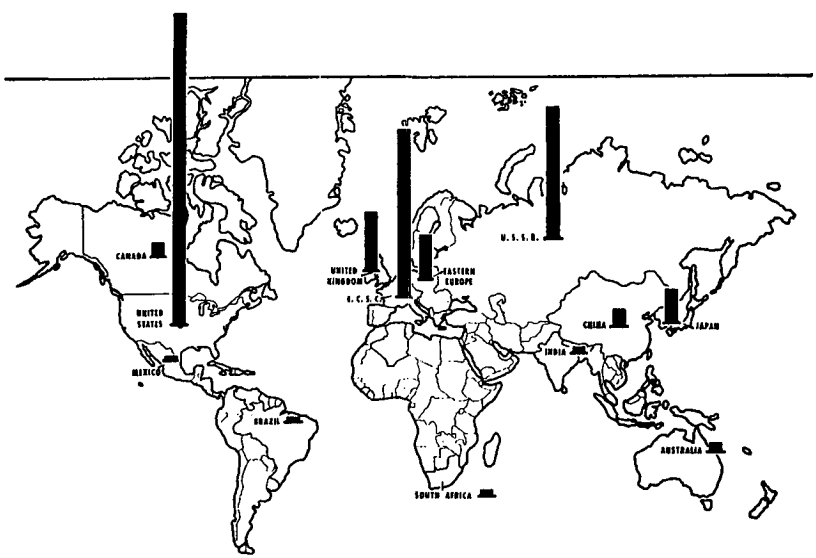
ever, it should not be considered that the marketing pattern is fixed. On the contrary, it is continually changing as consumption demands shift from one geographic center to another as ocean freight rates fluctuate, as new ore deposits are discovered and equipped for production, and as currency controls and exchange regulations affect purchases. Note the complex crisscrossing of the trade routes. At first sight some of these seem illogical, but in every case there is a reason behind the movement, a price-quality ratio that makes that particular ore attractive today in that particular market. Tomorrow, any of the factors I have just mentioned may destroy an attractive price-quality ratio and that particular ore will then cease to flow.

Shifting Markets

The rapid increase in the use of imported iron ores throughout the world after World War II, and particularly since 1952, can be attributed to a number of phenomena, which differ from country to country. In the case of Great Britain and Japan, the reason is the substantial growth in steel capacity which outstripped the economics of domestic ore reserves; in the case



Principal steel producing centers of the world, 1958.

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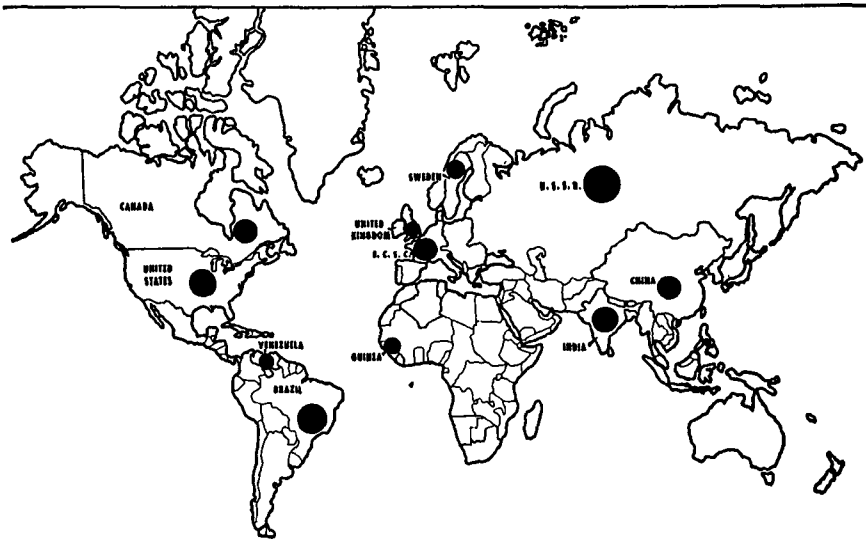

Principal iron ore resources of the world, 1958.

of the United States, the building of new steelmaking facilities to service market areas more remote from domestic ore sources, but easily accessible to imported ores, plus the furnace benefits realizable at some plants from the generally higher quality foreign ores; in Western Europe, the rapid postwar expansion of steel capacity which would have required large uneconomic investments in mining facilities if only domestic ores were utilized; and in general, the availability of low cost ocean transportation as a result of larger, specially designed ore carriers and more efficient dock and ore handling facilities. These and others are the reasons generally expressed. In every case, however, the basic underlying reason for the increase in iron ore imports of which all these things are a part is that the "price-quality ratios" of the iron ores in demand at these particular times and places are more attractive than the "price-quality ratios" of the available domestic ores.

Cost Factors

There are three important factors that can influence the "price" part of the "price-quality ratio," namely, mining costs, transportation costs and artificial trade restrictions.

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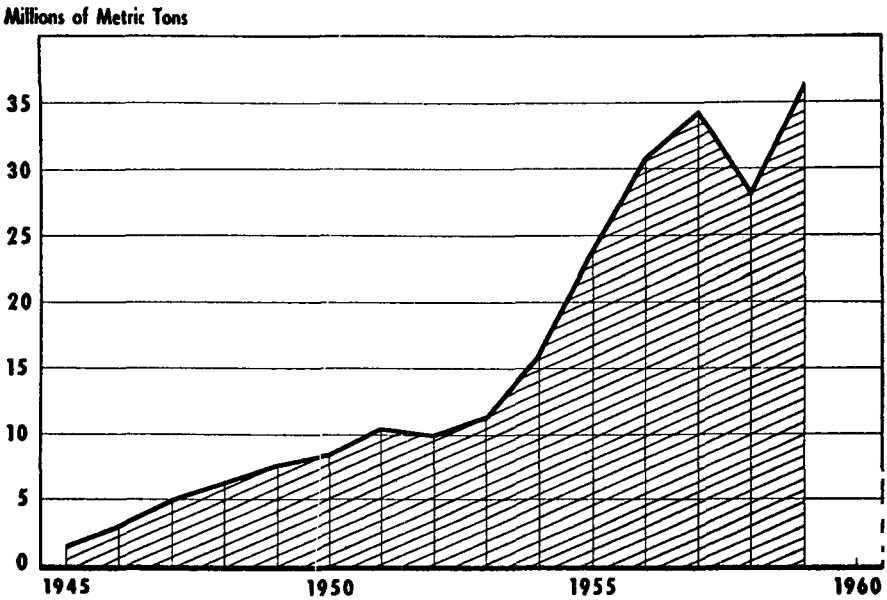
Mining costs are an important item in the over-all delivered cost of every iron ore. They are determined largely by mining plant efficiency, labor costs, and tax costs. Although reasons may vary from case to case, it is generally true that the iron ore exporting countries enjoy relatively lower mining costs, in terms of cents per unit of contained iron, than do the importing countries. In some cases, such as Canada and Venezuela, low costs are in a large degree attributable to the investments made in modern and efficient plants. In India and Brazil, low costs involve the high quality of the ore, in addition to relatively high labor productivity in terms of wage costs per unit. Tax costs are important items in total mining costs, whether they are local or national. Unfortunately, they are not readily controllable by the producer.

Another important iron ore cost item is transportation. The capital investment involved in producing low cost ocean transportation is substantial and can only be justified if depreciable over a considerable annual tonnage. Therefore, export trade will, over the years, tend



United States imports of iron ore.

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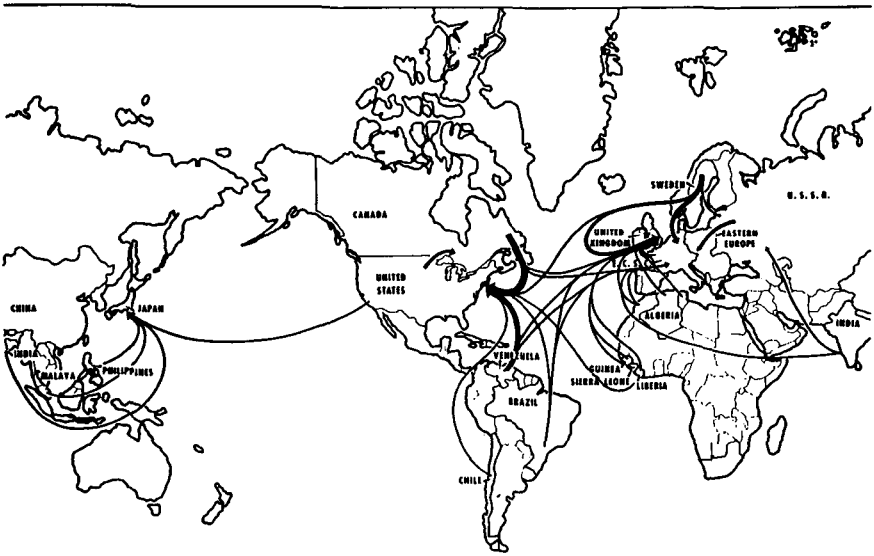

Major shipments of iron ore in 1956.

to become concentrated in large operations that can support such capital investments.

The third important influence in determining price and the pattern of trade in the international market is the factor of artificial trade restrictions, such as quotas and tariffs. Many nations or groups of nations have used in the past, and still use, these trade restrictions as a means of enabling domestic industrial production to maintain its position in the home market in the face of available imports. Iron ore, however, has traditionally moved freely in the market; and fortunately, no tariffs or quotas have ever been imposed anywhere to limit this freedom.

Certainly no restrictive move would appear to be worth-while in the case of iron ore. As an example, let us take a minute to see just what would happen if a country were to attempt to restrict the flow of iron ore by setting up tariffs. To the extent that the tariff is high enough to keep out foreign ores – and it would have to be quite high to make domestic ores competitive in widely dispersed steelmaking centers – the labor involved in mining, processing, and transporting the ore from mine to consuming plant would be

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shifted from foreign to domestic hands; and taxes assessable on profits realized on these operations would be shifted to a greater or lesser extent from foreign taxing authorities to domestic taxing authorities. On first thought this shift might appear to be all to the good as far as the domestic economy is concerned.

Unseen Consequences

However, looking further into the matter, it becomes evident that to the extent that the price of the substitute domestic ore delivered to the steelmaker would then exceed the price of the replaced foreign ore, by just that amount is the cost of steel increased; and this increased steel cost would in turn be ultimately reflected in increased costs of steel products. Certainly the major results would be:

1. Decreased exports of steel products which at the higher costs, and hence prices, find themselves no longer competitive in the foreign market;

2. Increased imports of steel products from foreign sources that have now acquired a new competitive advantage; and

3. As a consequence of 1 and 2, decreased domestic production of steel and steel products.

Inasmuch as approximately 1½ tons of iron ore are used for every ton of finished steel, and it requires 30 times more manhours to produce a ton of finished steel than to produce a ton of ore, any temporary increase in domestic iron mining employment brought about by the substitution of lower "price-quality ratio" domestic ores for higher "price-quality ratio" foreign ores would be offset many times over by the resultant reduction in employment in steel production and transportation of steel products, to say nothing of the loss of employment in the related raw materials mining and transporting industries such as coal, limestone, and scrap. However, this is not all, for as steel production might be curtailed, the demand for iron ore would fall off so that the apparent tariff-generated increase of jobs in the domestic ore mining industry would prove to be only temporary and actually more illusory than real.

The Tax Picture

A similar situation develops with respect to federal and even to state tax revenues. Increased federal taxes that might be collected from the domestic iron mining industry with iron ore import restrictions could be offset many-fold by decreased collections from the steel industry and the other industries serving it, as well as from the manufacturers of prod-

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ucts made from steel. Eventually decreased state tax revenues would also be inevitable.

In short, while tariffs or other restrictions on iron ore imports might temporarily benefit some iron ore mining communities, both labor-wise and tax-wise, the nation as a whole – labor, the tax coffers, and the consuming public – would be heavy losers.

For economic reasons, as well as from the point of view of long term supply, a continued free and unrestricted flow of iron ore throughout the world is essential to the best interests of the iron ore industry, of the steel industry, and of the public at large. This is true for individual nations and for the free world as a whole.

We as a nation must permit the natural law of supply and demand to operate unhampered by artificial restrictions if our steel using industries, our raw material producers, our labor force, and our nation as a whole are to prosper. ◆

IDEAS ON LIBERTY

Government in Industry

AND EVEN IN CASES where a government may go so far as to start an industrial enterprise, I think every effort should be made to put the venture into the hands of private capital and private management as quickly as possible.

For rare exceptions do not disprove the often illustrated rule that it is not in the nature of government to act with the flexibility or the attention to business considerations that is required of good industrial management. And – successful or not – so long as the enterprise stays in government hands, it does not stimulate the growth of similar enterprises, because private investors who could finance them are not willing to try to compete with government. The net result of these state ventures, more often than not, is to restrict the growth of production – or in other words, to defeat the very purpose they seek.

EUGENE R. BLACK, President of the World Bank, in Istanbul, November 1955

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A FUTURE NOT WORTH HAVING

IT SEEMS TO BE an article of faith that we, as a nation, should always stand ready to "negotiate" with Communists provided they show evidence of acting in good faith toward us. But the Marxist-Leninist conception of morality – that anything is "right" just so long as it furthers the Bolshevik aim of the "Party" to establish a world dictatorship of the proletariat – would seem to rule out the initial possibility that Communists can ever negotiate in good faith with anyone.

There is, of course, the possibility, as expressed by Cyrus Eaton, that the Communists don't "believe their own bunk" about world revolution. But this raises another question: how can one comfortably accept an agreement, or a treaty, signed with professional cynics? We have had "scraps of paper" before.

In his *The Moulding of Communists: the Training of the Communist Cadre* (Harcourt, Brace, 214 pp., $5.00), Frank S. Meyer pays Communists the tribute of thinking them sincere in their abiding hostility toward the "bourgeois" world. Agreements with them would, of necessity, be highly provisional, subject to secret sabotage on their part in times of a "popular front" line and to open abrogation when "hard" considerations take over. An agreement with Communists would signify nothing more than the fact that they considered they were getting the better of a provisional deal. True, they could be wrong in their estimation of the temporary balance of benefits. Nevertheless, Communists can be most dangerous when they are seemingly the most amiable.

Professional Revolutionaries

F. Scott Fitzgerald once complained to Ernest Hemingway that the rich are different from the poor. But rich and poor alike, the West seems not to understand that the hard core Communist is his own special type of being. He *is*

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sincere in his implacable insincerity when dealing with those who do not accept the aims of the Marxist revolution. How he gets that way is a study in a special type of indoctrination and continued supervision in action. Ex-Communists, such as Koestler and Whittaker Chambers, have emerged from the shadows of a tortured "breaking" period to warn us that the indoctrination, save in marginal instances that have no effect on "cadre Communist" decisions, is for keeps. But Mr. Meyer's book is the first to offer a systematized explanation of the making of the hard core communist man.

As refined and defined by Lenin, Marxism calls for the creation of a group of "inner circle" professional revolutionaries who will break completely with the past. God is rejected and History is put in his place. This new secular god of History has decreed its own ultimate end: a world in which the community will "own" the means of production. Since this is "predestined" by History's inner dialectic, nobody, presumably, has to work for it. But History uses human beings to express its decrees. The professional revolutionary is the one who has been elected to be the agent of predestination. Like Calvinism, Marxism-Leninism imparts a terrific sense of importance to the man who is the godhead's chosen vessel. The single human being's will becomes ferocious in the effort to get forward with an impersonally willed program.

Being a "chosen vessel" demands an apparatus for deciding just who is fit to serve the new Historical godhead. It demands agents and standards of recruitment. And it must prescribe the pressures which are necessary to bring the recruited "chosen vessel" to a continuing realization of History's demands.

The "Horse's Mouth"

Mr. Meyer's book takes the agents and the standards for granted: after all, the politburo of the Soviet Union is a going political fact, and the standards which it enjoins are to be found in the great Marxist texts. But taking off from what is granted, Mr. Meyer proceeds to break new ground. The first part of his book analyzes the philosophical, psychological, and bureaucratic pressures that are brought to bear upon the young communist recruit to break down his personality and make it over in accordance with an idealized type that will be prepared to do anything and suffer anything to promote the "line" of the Marxist revolution. The second part deals with the men and groups on whom the fearsome pressures are continuously exerted.

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Because he was himself a Communist of more than a decade's experience (he worked for the Party both in England and in America during the thirties and escaped only after a prolonged period of stocktaking while a member of the U. S. armed forces during the war), Mr. Meyer is in a position to illustrate his points from a widely varied personal background. But the development of his exposition, while it is pleasantly anecdotal at times, is not in the least "subjective," to use a favorite communist word.

Mr. Meyer's stuff comes from the "horse's mouth," but it has been carefully related to the experience of all the other horses, from Marx, Lenin, and Stalin on down to the newest hawker of communist leaflets or minor trade union functionary who has been recruited as a borer-from-within. Lead horse and wheel horse, Mr. Meyer has anatomized their words and words-in-action to build up his patient picture.

Controlling the Universe

And what a picture of Luciferian debasement it is! The very word "moulding" in Mr. Meyer's title has a special connotation: Communists remould people by a Procrustean process of hacking off whatever is extraneous to their rigidly canalized needs. Mr. Meyer makes much of the Communist's insistence that Marxism is "rational," that it believes in science not as a formulation of expected regularities but as something known as "science in control." To achieve the sublime sense of certainty that the universe is "limited and knowable" – and therefore "controllable" – the Communist has to accept the "thing in itself" as interchangeable with "the thing to us." But to achieve this easy identity, the Communist has to reject what Mr. Meyer calls "the glorious human fate of living with mystery." To the Communist, there is nothing beyond the "material." And when it comes to engineering the "material," operations on protoplasm are not to be distinguished from operations on metals and rock.

Communist rationality rejects all the mysterious yearnings of man, his desire for goodness and ideal justice, his hope of transcendent meaning, his feelings of tenderness. Lenin, tempted to play with cats or to listen to Beethoven, has to put aside his innate desires for pets and music as remnants of "rotten" bourgeois training. To the Communist, "enjoyment, the satisfaction of curiosity, meditation, intellectual achievement, art, and certainly all spiritual awareness," says Mr. Meyer, "are empty except insofar as they derive a

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secondary meaning, positive or negative, from the essential reality of human existence regarded as control of the universe."

Means to an End

The sort of "rationality" that can regard the mysterious as nonexistent does obvious violence to the nature of man. To feel truly human, man must regard his own life as an end in itself. Politics and economics are the secondary considerations: one must work and one must establish certain political relations with one's fellows in order to have the time, the substance and the energy needed to satisfy the more mysterious primary needs of the human personality. If one can enjoy oneself in one's work, so much the better. But enjoyment in work is a spiritual, not a strictly economic, matter. Economics and politics are wholly within the realm of means. And man should live *by* means, not *for* them.

The Communist, seeking recruits to mould (or to hack), is faced with a job: he has to turn the natural order of things upside down. The recruit, if he is to satisfy Party criteria, must submit to an expansive course in depersonalization. If his family gets in the way of his activity as a Communist, he must be prepared to put aside his wife or to refrain from having children or to let his indigent uncle starve to death while he contributes his own funds to save the revolution in Indo-China. Sex is permissible, but it must not get in the way of Party duty. To the Communist, it is not immoral to take Trotsky's secretary as one's mistress in order to get sufficiently close to the Great Renegade to poleax him to death. But it is immoral to remain true to your wife if it entails absence from agitational work or a four-hour unit meeting.

"Reductionism"

The aridity of the communist approach to life is summed up by Mr. Meyer in one word: "reductionism." Like Freudianism, which regards "the most delicate constructions of reason and of spiritual insight" as "nothing but" the play of libido, Marxism regards "the most complex reaches of the imaginative mind" as "nothing but" the play of class interests. To "reduce himself" to communist cadre material, the recruit to communism must accept the criticism of his peers and superiors in the movement without anger. Furthermore, he must pile "self-criticism" on top of the criticism. He can have no individual pride of authorship, pride of workmanship, or pride of decision. Pride must be limited to a feeling of satisfaction

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in having served the god of History. Of course, the dictatorship at the top of it all is permitted to change the line. But the rank and file and the cadres just above the rank and file have no business questioning the top decrees once they are made. History speaks through revelation to the big bosses in Moscow.

The Communist might, of course, try to answer Mr. Meyer by saying that once the classless society has been achieved there will be plenty of time for art, for the satisfaction of curiosity, for meditation, and for play. Pie in the sky! On Mr. Meyer's incontrovertible evidence the "moulding" of Communists would, by the time the classless society is finally achieved, have so debased the human race that it would never recover. Anyway, since no two human beings are precisely alike, differentiation must persist – and with the differentiation there will, inevitably, be classes. (This does not mean that a certain number of human beings are destined always to starve.) So let us take comfort in the certainty that the Communists can't mould everybody to their desires. Human nature, in most humans, will out.

If it doesn't, then to the devil with History. To cooperate with the Marxian idea of predestination is to cooperate with a Future that isn't worth having, even if it is foreordained to happen. If the Future is synonymous with the debased world of the Marxist texts, then let us die fighting it. As Camus has said, it is sometimes man's greatest glory that he can battle against Fate itself. ◆

▸ THE COST OF FREEDOM: A NEW LOOK AT CAPITALISM by Henry C. Wallich. Harper. 178 pp. $3.75

Reviewed by Edwin McDowell

THE ANOMALY of this book, by a former Yale professor now with the Council of Economic Advisers, is that he presents the libertarian case for economic freedom as cogently as do its most ardent supporters – and then he retreats to an ideological middle ground midway between Hayek and Keynes.

Again and again, author Wallich points out the advantages of economic freedom, yet he nevertheless places himself in the position of endorsing measures which smack of compulsion. For instance, whereas he deprecates forced economic growth as "an attractive new label to paste on an old package of big deficit spending, and easy money proposals," he believes that full-employment policies – which can only be effected by government intervention in the market economy – are essential to the health of the free enterprise system.

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It's ironic, the author notes, that at a time when capitalism is performing better than ever before, it is also being challenged more seriously. The challenge emanates from those who argue that freedom from arbitrary government is not enough; man, they say, also needs financial independence in order to be free. Instead of the traditional "freedom from," this "new freedom" is a "freedom to" – a freedom, observes the author, which "points fatally toward collectivism."

The reason freedom has been losing is because its defenders' vigilance too often stops where their pocketbooks begin. The businessman persuasively defends freedom in one breath and demands a "subsidy" in the next; the labor leader declares himself in favor of freedom and then proceeds to use coercive union practices; the intellectual, whom the author calls "the number one beneficiary of a free system," sees no connection between liberties of the mind and freedom of choice in the marketplace.

Professor Wallich believes capitalism is not necessarily the most efficient system, but because it places the highest evaluation on individual free choice, it is the one we should wholeheartedly support. The cost of freedom, he maintains, is free enterprise's lack of efficiency *vis-a-vis* collectivism. He cites the Soviet Union as an example of an efficient collectivist society which has made great economic strides, yet he underestimates the advantages the Soviets have been accorded by the free world's technological and scientific advances. Russia has been able to pluck the fruits of the American industrial revolution, and yet – by every reliable economic yardstick – is still woefully behind the United States.

On many subjects, Professor Wallich's conclusions are irrefutable, particularly when he argues that private property is the backstop of free enterprise, providing protection against omnipotent government, and when he states that the rise of egalitarianism sentiment threatens to remove the stamp of approval to financial success. On these, libertarians have no quarrel, but they can and should quarrel with others of his conclusions.

▸ WHAT IS POLITICAL PHILOSOPHY? AND OTHER STUDIES by Leo Strauss, Glencoe, Illinois: The Free Press, 1959. 315 pp. $6.00.

Reviewed by Jerzy Hauptmann

LEO STRAUSS is professor of political science at the University of Chicago, and the author of sev-

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eral influential books on Thomas Hobbes, on natural law, and kindred matters. The present volume contains ten previously published essays and sixteen brief reviews.

The essays attempt to establish a place for political philosophy on the contemporary scene. Strauss, like many observers, is keenly aware of a decline in political philosophy; political science and political philosophy parted long ago. It is his contention that, by losing contact with philosophy, political science has lost its basis.

Political philosophy, for Strauss, is an attempt to know the nature of political things, an attempt to replace opinions by knowledge. To know the nature of political things, one needs a basis for reference, a standard of value. The love of truth and the search for the best political order provide Strauss with such a standard.

He looks to the answers given by such men as Plato, Aristotle, and the medieval writers who dealt with this problem, without reference to historical developments, by appealing to the prehistoric "natural consciousness."

This method in political philosophy is now under attack, if it has not disappeared already. The attackers are guilty, Strauss would argue, of scientism – the notion that the methods of the physical scientist are generally applicable to all subjects; and historicism – the notion that the facts of history generate theories on their own.

We agree with this diagnosis by Strauss. We do need standards of value for politics which can be provided only by a sound political philosophy. We also recognize that many of the answers given by classical political philosophers have timeless value and that the scientistic and historicist criticism of political philosophy is largely invalid.

It seems to us, however, that Strauss creates an unnecessary gulf between political philosophy and political science. He agrees that political scientists do useful work in collecting data, but he objects to their aspirations toward "scientific" political science. Most political scientists will agree with Strauss that complete objectivity is impossible, but would contend that their efforts to attain it are nonetheless valuable.

Political scientists frequently look down on philosophers, but the decline of political philosophy is not due entirely to the onslaught of "scientific" politics. Internal decay, loss of values, and slips into historicism, are also causes of the decline. If philosophers and scientists work together, perhaps political philosophy may be revived and political science spared many errors.

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5. *"Too much government? Just what would you cut out?"*
6. *"The size of the national debt doesn't matter because we owe it to ourselves."*
7. *"Why, you'd take us back to the horse and buggy."*
8. *"The free market ignores the poor."*
9. *"Man is born for cooperation, not for competition."*
10. *"Americans squander their incomes on themselves while public needs are neglected."*
11. *"Labor unions are too powerful today, but were useful in the past."*
12. *"We have learned to counteract and thus avoid any serious depression."*
13. *"Human rights are more important than property rights."*
14. *"Employees often lack reserves and are subject to 'exploitation' by capitalist employers."*
15. *"Competition is fine, but not at the expense of human beings."*
16. *"We're paying for it, so we might as well get our share."*
17. *"I'm a middle-of-the-roader."*
18. *"Customers ought to be protected by price controls."*

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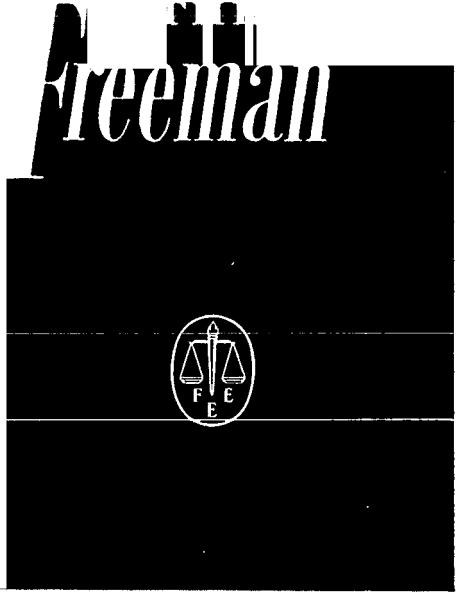

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